

**CBOE FUTURES EXCHANGE, LLC**

**Policies and Procedures\***

Revised as of July 26, 2017

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\* Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Rulebook of CBOE Futures Exchange, LLC, as in effect from time to time (the “Rulebook”). All references herein to any “Rule” are to such Rule as set forth in the Rulebook.

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## **I. Market Order Processing**

(a) If a Threshold Width (as defined below) exists for a particular Contract, then the CBOE System will match any Market Order against resting Orders and quotes for such Contract at the best price then available, followed by Orders and quotes at the next best price, until such Market Order is fully executed or a Threshold Width no longer exists, whichever occurs first.

(b) (i) If a Threshold Width does not exist for a particular Contract (including if any portion of a Market Order is not executed because a Threshold Width for such Contract no longer exists), then the CBOE System will hold any Market Order (or such portion) for such Contract in queue and send a request for quote (“RFQ”) to liquidity providers then providing quotes for such Contract.

(ii) Any RFQ sent pursuant to clause (i) above will include the Contract quantity of the Market Order to which it relates, but will not specify whether such Order is a buy or sell Order. Any and all quotes received in response to such RFQ will first be held in queue, and will then be executed against the Market Order to which they relate, in accordance with the following principles:

(A) If, at any time during the RFQ response time (which the Exchange has specified as thirty seconds), the spread between the best available bid and offer for the relevant Contract narrows to or within the Threshold Width for such Contract, then the CBOE System will execute such Market Order against the quote or quotes entered in response to the RFQ and any other resting Orders, until such Market Order is fully executed or a Threshold Width no longer exists, whichever occurs first. If any portion of the Market Order is not executed because a Threshold Width no longer exists, then the CBOE System will hold such portion in queue again and send another RFQ to the liquidity providers then providing quotes for such Contract

(B) (1) If the CBOE System receives a Limit Order on the same side of the market as such Market Order, such Limit Order could otherwise be executed against the best bid or offer then available and at least one quote within the Threshold Width for the relevant Contract has been received in response to such RFQ, then the CBOE System will execute such Market Order against such best bid or offer. If no such quote has been received, then the CBOE System will execute such Limit Order ahead of such Market Order.

(2) If one or more quotes received in response to such RFQ could be executed against such Market Order as well as against one or more Limit Orders that are already resting in the CBOE System at a particular price, then:

(x) If the aggregate quantity of Contracts to which such quotes relate is equal to or greater than the aggregate quantity of such Market Order and Limit Orders, then all such Orders will be executed at the price of such Limit Orders.

(y) If the aggregate quantity of Contracts to which such quotes relate is smaller than the aggregate quantity of such Market Order and Limit Orders, then such Market Order will be executed ahead of such Limit Orders, at a price that differs from the price of such Limit Orders by the minimum price fluctuation for the relevant Contract.

(C) If fifty percent of the liquidity providers then providing quotes for the relevant Contract have responded to such RFQ with quotes within the Threshold Width for such Contract, or the RFQ response time has expired and at least one quote within such Threshold Width has been received, whichever occurs first, then the CBOE System will execute such Market Order against Orders resting in the CBOE System. For purposes of the percentage requirement set forth in the immediately preceding sentence, a quote received in response to an RFQ will count even if it is executed against an Order resting in the CBOE System before all quotes counting towards such percentage requirement have been received. If a portion of the Market Order is not executed because a Threshold Width no longer exists, then the CBOE System will hold such portion in queue again and send another RFQ to the liquidity providers then providing quotes for such Contract.

(iii) If a Market Order can be executed in accordance with the principles set forth in clause (ii) above and there are one or more Market Orders on the opposite side of the market, the CBOE System will execute such Orders at a price equal to the average of the prices of the best available bid and offer, provided such average price is a Threshold Width price.

For purposes of this clause (iii), “Threshold Width price” means a price within the Threshold Width.

(iv) If no quotes within the Threshold Width for the relevant Contract are received in response to an RFQ prior to the expiration of the RFQ response time and a Threshold Width does not exist, then the CBOE

System will continue to hold the Market Order in queue and repeat the RFQ cycle.

(v) If a Market Order is held in queue in accordance with this paragraph (b), subsequent Market Orders on the same side of the market for the same Contract are queued as well, to ensure that all such Market Orders are processed in time sequence.

(vi) If trading in any Contract is halted while a Market Order for such Contract is held in queue in accordance with this paragraph (b), the CBOE System will hold such Order until, and execute it at, the next opening of trading in the relevant Contract; *provided* that any Day Order will be automatically purged if such opening does not occur on the same trading day.

(c) The term “Threshold Width” means, with respect to a particular Contract, a bid and offer for a minimum size set forth in the rules governing such Contract and within the maximum width set forth in such rules. A Threshold Width is measured as the range between the highest bid and lowest offer starting at the highest bid and going up to the lowest offer. If this range is less than or equal to the Threshold Width amount, a Threshold Width is deemed to exist and not exceeded. If there is no bid, the bid is deemed to be zero for purposes of measuring the Threshold Width. If there is no offer, a Threshold Width is deemed not to exist and is deemed to be exceeded. If the order book is crossed (the highest bid is higher than the lowest offer) or locked (the highest bid equals the lowest offer), a Threshold Width is deemed to exist and not exceeded.

(d) This Policy and Procedure does not apply to spreads, to Trade at Settlement transactions or during the opening or re-opening process for a Contract pursuant to Rule 405B.

Amended October 17, 2012 (12-26); December 15, 2014 (14-17); May 24, 2015 (15-12).

## **II. Spread Order Processing**

(a) The CBOE System will support the following types of Spread Orders: two-legged spreads where the ratio of the number of Contracts in one leg to the number of Contracts in the other leg is 1:1 and 1:2; three-legged spreads where the ratio is 1:1:1 or 1:2:1; four-legged spreads where the ratio is 1:1:1:1; and any other spread type from time to time approved by the Exchange.

(b) A Spread Order may only include Contracts for the same Exchange product and may not include Contracts for different Exchange products.

(c) The CBOE System will treat each Spread Order as a unique product for all purposes and will assign each a unique product identifier.

(d) Spread Orders may not be submitted as Market Orders or with any of the contingencies set forth in Rule 404(h), except as an Immediate or Cancel Order.

(e) A spread moves into an open state for trading when the process to determine the opening price and opening trade(s), if any, for each leg of the spread is completed under Rule 405B, subject to the following exception. If the width of the prevailing market for any leg of a spread exceeds the applicable Threshold Width, the spread will not open for trading until such time that the width of the prevailing market for all legs of the spread do not exceed the applicable Threshold Width.

(f) A Spread Order will be fully or partially executed against individual Orders or quotes in the legs of the spread that are residing in the CBOE System as long as (i) the Spread Order can be executed in full (or partially executed while maintaining the ratio of the Spread Order for the unexecuted portion) against the individual leg Orders and quotes residing in the CBOE System and (ii) the width of the prevailing market for each leg of the spread does not exceed the applicable Threshold Width for the relevant Contract.

(g) A Spread Order will be fully or partially executed against an opposite side spread order that is residing in the CBOE System as long as (i) the Spread Order is not able, or is no longer able, to execute against individual leg Orders and quotes residing in the CBOE System pursuant to paragraph (d) above and (ii) the width of the prevailing market for each leg of the spread does not exceed the applicable Threshold Width for the relevant Contract.

(h) Once a Spread Order is executed, the CBOE System will:

(i) Disseminate to the Trading Privilege Holder or Authorized Trader that placed such Spread Order a fill report for the spread in its entirety and the individual legs;



(ii) Submit the transaction to clearing as separate trades in the individual legs of the spread; and

(iii) Disseminate last sale reports for the individual legs, with an indication that the last sale is part of a spread trade, to any information processor then employed by the Exchange.

(i) The provisions of this Policy and Procedure II shall only apply to TAS transactions to the extent set forth in Rule 404A(e).

Amended November 4, 2011 (11-23); October 17, 2012 (12-26); December 15, 2014 (14-17); May 24, 2015 (15-12); June 5, 2016 (16-009).

### **III. Resolution of Error Trades (Rule 416)**

#### **A. *General Policy***

##### *1. Invoking Error Trade Policy*

Any request by a Trading Privilege Holder to invoke the error trade policy with respect to any trade must be made to the help desk as soon as possible. Additionally, an employee of the Exchange can bring a potential error trade to the help desk's attention. The help desk may provide assistance only to Trading Privilege Holders. In all cases, if a potential error trade is not brought to the help desk's attention within eight minutes after the relevant trade occurred, such trade will stand, except as provided in Part B below.

##### *2. Procedure Followed by Help Desk*

When a potential error trade is brought to the help desk's attention, the help desk will determine whether the trade price is in the "no bust range" for the relevant Contract, as set forth in the Rules governing such Contract. With respect to trades involving a Spread Order, the help desk may also consider the theoretical net price of the Spread Order and apply the "no bust range" in relation to that theoretical net price (such that if the net trade price of the Spread Order was inside (outside) that "no bust range", all of the trades involving the Spread Order would be treated as inside (outside) the "no bust range"). In making a determination regarding the theoretical net price of a Spread Order, the help desk may consider all relevant factors, including the net of the true market prices of the Contracts that comprise the individual legs of the Spread Order (each determined in the manner described above) and the net price of other Spread Orders of the same type.

In determining whether the trade price is within the "no bust range," the help desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making such determination, the help desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract month or series and the prices of related contracts trading on the Exchange or other markets.

##### *3. Trade Price Inside "No Bust Range"*

If the help desk determines that the trade price of a potential error trade was inside the "no bust range" for the relevant Contract, such trade will stand and no further action will be taken. No such trade can be busted by agreement of the parties to such trade.

#### 4. *Trade Price Outside “No Bust Range”*

If the help desk determines that the trade price of a potential error trade was outside the “no bust range” for the relevant Contract, it will send an alert to all CBOE Workstations that are able to receive text messages for such Contract from the CBOE System, indicating that such trade may be an error trade. The help desk will also attempt to contact all parties to such trade.

If all parties to a trade agree to bust such trade within 10 minutes from the time that the error trade alert message was sent, then such trade will be busted. If any party to such trade cannot be contacted or does not agree to bust such trade, Exchange staff will review the circumstances surrounding such trade to determine whether such trade should be busted. The factors that may be considered by Exchange staff in this connection include: the market conditions immediately before and after such trade occurred; the volatility of the market; the prices of related instruments in other markets; whether one or more parties to such trade believe that such trade was made at a valid price; and any other factors that Exchange staff may deem relevant. Exchange staff shall make its decision as promptly as practicable. Such decision shall be final.

If a trade is busted, either by agreement of the parties thereto or by Exchange staff, the help desk will cancel such trade. The error trade price and any invalid price quotes due to an error trade that is busted will be removed from the Exchange’s official record of time and sales.

If a trade is not busted, the parties thereto cannot reverse such trade, except as provided in Part B below. The parties to any such trade may also not “trade out” of such trade by entering into a pre-arranged offsetting transaction; *provided* that the parties may engage in pre-execution discussions with each other in accordance with procedures established by the Exchange from time to time.

#### 5. *Contingency Orders Triggered by Error Trade*

If an error trade is busted, either by agreement of the parties thereto or by Exchange staff, the help desk will also (a) bust all trades that were triggered as a result of contingency Orders being triggered by such trade and (b) cancel all bids and offers that were entered into the CBOE System as a result of contingency Orders being triggered by such trade. The help desk will notify the Trading Privilege Holders responsible for the trades so busted and the bids or offers so cancelled so that the original Orders can be re-entered into the CBOE System.

#### 6. *Notice of Final Action*

As soon as a decision regarding a potential error trade has been made, the help desk will disseminate a notice, indicating whether such trade is busted or stands. In the case of a busted trade, the help desk will attempt to facilitate a resolution by re-establishing Orders and their respective priorities in the CBOE System.

**B. *Policy When Error Trade Not Brought to Help Desk's Attention Within Time Limit***

This Part B applies only to any error trade that cannot be busted under Part A above because it was not brought to the help desk's attention within the eight-minute time limit specified therein. The procedures described in this Part B cannot be used if the trade price of the error trade in question was within the "no bust range" for the relevant Contract at the relevant time.

1. *Both Parties Agree to Transfer Position*

If both parties to an error trade agree, they may transfer the position resulting from such trade between each other. Any such transfer must be made at the original trade price and for the same quantity as the original trade. The parties may also, but are not required to, provide for a cash adjustment to compensate one side of such error trade. Any such transfer must be reported to the Exchange in the manner from time to time prescribed by the Exchange.

2. *Arbitration of Disputes*

If the parties to an error trade do not agree to transfer the position resulting from such trade, then the party causing such trade may file an arbitration claim against the Trading Privilege Holder representing the other side. Written notice of such claim must be given to the Exchange not later than by the close of business on the Business Day immediately succeeding the day on which such error trade occurred. Any such arbitration claim will be dismissed if the owner of the account on the other side of the error trade is not a Trading Privilege Holder or any Person otherwise subject to the Exchange's jurisdiction. If not dismissed, arbitration proceedings will be conducted in accordance with the arbitration rules incorporated by reference into Chapter 8. In deciding the claim, consideration will be given to, among other factors, the reasonableness of the actions taken by each party and what action (*e.g.*, laying off the position in another market) the party on the other side of the error trade took before being notified that such trade was being questioned. The maximum amount that can be recovered in any such arbitration proceedings is the difference between the error trade price and the true market price for the relevant Contract immediately before such error trade occurred, as determined on the basis of the factors listed in Part A above.

**C. *Voluntary Adjustment of Trade Price***

When an error trade outside of the "no bust range" for the relevant Contract is busted in accordance with Part A above, the parties to such trade may agree voluntarily to keep such trade but to adjust its price, provided all of the following conditions are met:

1. The quantity of the position being transferred must be identical to the quantity of the error trade that was busted.
2. In the case of an error trade below the true market price for the relevant Contract, the adjusted price must be the lowest price at which such Contract

traded at or about the time of the error trade without such trades being busted. In the case of an error trade above the true market price for the relevant Contract, the adjusted price must be the highest price at which such Contract traded at or about the time of the error trade without such trades being busted.

3. The parties to any adjusted trade must report such trade to the Clearing Corporation not later than by the close of business on the Business Day immediately succeeding the day on which such error trade occurred. Any such adjusted trade must also be reported to the Exchange on a form approved by the Exchange.

**D. *Schedule of Administrative Fees***

When an error trade is taken to Exchange staff and busted pursuant to Part A above, the party responsible for the error shall pay any applicable administrative fee to the Exchange in accordance with the fee schedule published by the Exchange from time to time.

When a party responsible for an error trade is able to have the resulting position transferred pursuant to Part B.1 above, or brings an arbitration claim pursuant to Part B.2 above, such party shall pay any applicable administrative fee to the Exchange, in addition to any applicable arbitration fees, in accordance with the fee schedule published by the Exchange from time to time.

**E. *Busting Trades After System Freeze***

In the case of certain types of CBOE System failures, it is possible that the matching engine will “freeze” with live Orders in the queue waiting to be matched. When the CBOE System is “unfrozen”, the pending Orders can be matched before the help desk can halt the matching engine. The help desk is authorized to bust any trade resulting from matches in these circumstances if, and only if, the price of such trade is outside of the “no bust range” for the relevant Contract at the time that a confirmation of such trade was sent.

**F. *Busting Trades When Trading Privilege Holder is on Both Sides of the Trade***

Notwithstanding any other provision of this policy, the help desk is authorized to bust any trade regardless of the price range in which the trade occurs if (i) the trade resulted from the matching of a Trading Privilege Holder's bid, offer, or Order for the Trading Privilege Holder's own account with another bid or offer of that Trading Privilege Holder or another Order for that Trading Privilege Holder's own account and (ii) the Trading Privilege Holder brings the relevant trade to the help desk's attention within eight minutes after the relevant trade occurred.

**G. *Busting Trades That Occur After a Regulatory Halt is Instituted***

As provided by Rule 417, trades in a Single Stock Future or in a Narrow-Based Stock Index Future made after the time an underlying regulatory halt is instituted and before trading has been resumed in the affected Security Future Contract are subject to cancellation or "bust" by the help desk.

**H. *Busting Trades in the S&P 500 Variance Futures Contract***

In its sole discretion, the Help Desk is authorized to bust a trade in the S&P 500 Variance futures contract if it determines that an error as to the value of the calculated realized variance, the value of the discount factor, or the value of the daily interest rate has resulted in an incorrect futures converted contract price. The determination as to whether a standard formula input error occurred is solely within the Help Desk's discretion. The busting of a trade by the Help Desk due to a standard formula input error must occur on the same day that the trade occurred.

**I. *Busting or Adjusting Block Trades and the Contract Leg of Exchange of Contract for Related Position Transactions Posted by Mistake***

The help desk is authorized to bust or adjust any Block Trade or Contract leg of an Exchange of Contract for Related Position transaction posted by the help desk if there is a mistake or inaccuracy in the manner in which the help desk posted the Block Trade or Contract Leg and an Authorized Reporter for or party to the transaction notifies the help desk of the mistake or error in accordance with Rule 414(j) or Rule 415(i), as applicable, within thirty minutes from the time the help desk transmits the transaction summary for the transaction to the Authorized Reporters for the transaction.

The help desk is authorized to bust or adjust any Block Trade or Contract leg of an Exchange of Contract for Related Position transaction that is electronically reported to the CBOE System if all of the following three conditions are satisfied: (i) there was a mistake or inaccuracy in the electronic submission of that transaction to the CBOE System or in the content of the transaction summary; (ii) an Authorized Reporter for or party to the transaction notifies the help desk of the mistake or error in accordance with Rule 414(o) or Rule 415(n), as applicable, within thirty minutes of the time the CBOE System transmits the transaction summary to the Authorized Reporters for the transaction; and (iii) an Authorized Reporter or party on both sides of the transaction agree upon the inaccuracy in the electronic submission or content of the transaction summary and the corrections to the inaccurate information.

**J. *Busting or Adjusting Trades Not Correctly Processed Due to System Malfunction***

The help desk is authorized to bust or adjust any trade that is not correctly processed by the CBOE System due to a system malfunction.

**K. *VX Futures Trades During Extended Trading Hours that Occur After Triggering Event and Before Resulting Trading Halt***

Any trades in VX futures during VX futures extended trading hours that occur after the triggering event for the initiation of a trading halt under Rule 1202(i)(iii) or Rule 1202(i)(iv) (as a result of a 5 or 8 index point movement in the VX futures front contract month or a price limit in the E-mini S&P 500 future traded on the Chicago Mercantile Exchange) and before a trading halt in VX futures can be initiated on the Exchange pursuant to Rule 1202(i)(iii) or Rule 1202(i)(iv) as a result of the triggering event will not be busted by the Help Desk by reason of

the fact that they occurred during that time frame. The other provisions of this policy shall continue to be applicable with respect to those trades.

**L. *Busting or Adjusting Trades to Mitigate Market Disrupting Events***

The help desk, in consultation with the President or a Managing Director, is authorized to bust or adjust any trade when necessary to mitigate market disrupting events caused by malfunctions in the CBOE System or errors in orders or quotes submitted by Trading Privilege Holders and market participants.

**M. *Busting Trades Rejected by the Clearing Corporation***

The help desk is authorized to bust any trade that is not accepted for clearing by the Clearing Corporation.

**N. *Notice of Trade Busts and Adjustments***

The help desk shall disseminate notice of any bust or adjustment of a trade pursuant to this Policy and Procedure III.

**O. *Cancellation of Orders and Quotes Due to System Malfunction***

The help desk is authorized to cancel orders or quotes as it deems necessary to maintain fair and orderly markets if a technical or systems issue or malfunction occurs with the CBOE System. The help desk shall disseminate notice to impacted Trading Privilege Holders of any cancellation of orders or quotes pursuant to this Part N.

Amended June 8, 2004 (04-16); August 4 (05-22); February 23, 2009 (09-03); March 2, 2009 (09-06); June 3, 2009 (09-13); March 22, 2011 (11-05); September 27, 2012 (12-18); October 17, 2012 (12-26); October 28, 2013 (13-32); May 1, 2014 (14-08); May 4, 2015 (15-08); May 15, 2015 (15-13); June 30, 2015 (15-17).

#### **IV. Pre-Execution Discussions (Rule 613)**

Any Trading Privilege Holder or Authorized Trader may engage in pre-execution discussions with respect to any Contract, in accordance with the principles set forth below, with any other Trading Privilege Holder or Authorized Trader, in order to discuss the possible execution of an Order for such Contract with one or more potential counterparties and thereby obtain some assurance that there will be a counterparty ready and willing to take the other side of such Order.

It is permissible for any Trading Privilege Holder or Authorized Trader, prior to entering any Order into the CBOE System, to agree with another Trading Privilege Holder or Authorized Trader that such other Person will take the other side of such Order after waiting a designated period of time after such Order is entered into the CBOE System by the first Person ("Order Exposure Period"); provided that if one of the Orders is a Customer Order and the other Order is not a Customer Order, the Customer Order must be entered first.

The Order Exposure Period shall be prescribed by the rules governing the relevant Contract.

If an Order is placed by a Trading Privilege Holder on behalf of a Customer in accordance with the foregoing paragraphs, such Customer must consent in advance to such Trading Privilege Holder engaging in pre-execution discussions with respect to such Order and the Trading Privilege Holder shall exercise due diligence in the handling and execution of the Order in accordance with Rule 512. Proceeding in this manner does not violate Rule 613 because advance consent is obtained from the Customer and is consistent with ensuring that the CBOE System remains an open and competitive trading system because the Order is exposed to other market participants. For purposes of this policy, pre-execution discussions shall not be deemed to include discussions between a Trading Privilege Holder or Authorized Trader and the Customer that placed the Order with such Trading Privilege Holder or Authorized Trader.

Amended November 4, 2004 (04-20); March 6, 2008 (08-01); February 21, 2013 (13-07).



V. **Emergency and Physical Emergency Delegations and Procedures (Rules 135 and 418)**

A. *Specific Emergency and Physical Emergency Delegations*

1. *Emergency Delegations*

Rule 135 defines the term “Emergency” and provides a non-exclusive list of circumstances that may constitute an Emergency.

Rule 418(a) grants the President or any individual designated by the President the authority to determine on behalf of the Board the existence of an Emergency and the authority to take actions in response to an Emergency, including all of the actions listed below. The President or the President’s designee may also order the removal of any restriction previously imposed based upon a determination that the Emergency no longer exists or has sufficiently abated to permit the function of the Exchange to continue in an orderly manner.

Pursuant to Rule 418(a), the following individuals in addition to the President are authorized as designees of the President to determine the existence of an Emergency and to take the actions specified in the delegations below in response to an Emergency. These additional individuals may also order the removal of any restriction that the applicable individual has been delegated the authority to impose based upon a determination by the applicable individual that the Emergency no longer exists or has sufficiently abated to permit the function of the Exchange to continue in an orderly manner.

<b>Rule</b>	<b>Emergency Actions</b>	<b>Emergency Delegations</b>
417A(a)	Halting trading if there is a Level 1, 2 or 3 Market Decline	<ul style="list-style-type: none"> <li>• Senior Person in Charge of Help Desk</li> </ul>
417A(d)	Resuming trading after the 15-minute halt period following a Level 1 or Level 2 Market Decline	<ul style="list-style-type: none"> <li>• Senior Person in Charge of Help Desk</li> </ul>
418(a)(i)	Limiting trading to liquidation only, in whole or in part	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>
418(a)(ii)	Extending or shortening, as applicable, the Expiration Date or expiration duration of any Contract	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>

<b>Rule</b>	<b>Emergency Actions</b>	<b>Emergency Delegations</b>
418(a)(iii)	Extending the time of delivery, changing delivery points or the means of delivery provided in the rules governing any Contract	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>
418(a)(iv)	Imposing or modifying position or price limits or intraday market restrictions with respect to any Contract	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>
418(a)(v)	Ordering the liquidation of Contracts, the fixing of a settlement price or any reduction in positions	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>
418(a)(vi)	Ordering the transfer of Contracts, and the money, securities, and property securing such Contracts, held on behalf of Customers by any Trading Privilege Holder to one or more other Trading Privilege Holders willing to assume such Contracts or obligated to do so	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>
418(a)(vii)	Extending, limiting or changing hours of trading	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Senior Person in Charge of Help Desk</li> </ul>
418(a)(viii)	Declaring a fast market in a Contract	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Senior Person in Charge of Help Desk</li> </ul>
418(a)(ix)	Temporarily Changing the Threshold Width, Pre-Trade Order Size Limit or Price Reasonability Ranges for a Contract	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Senior Person in Charge of Help Desk</li> </ul>
418(a)(x)	Suspending, curtailing, halting or delaying the opening of trading in any or all Contracts	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Senior Person in Charge of Help Desk</li> </ul>
418(a)(x)	Modifying circuit breakers	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>

<b>Rule</b>	<b>Emergency Actions</b>	<b>Emergency Delegations</b>
418(a)(xi)	Requiring Clearing Members, Trading Privilege Holders or Customers to meet special margin requirements	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Chief Regulatory Officer</li> </ul>
418(a)(xii)	Altering any settlement terms or conditions of a Contract	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>
418(a)(xiii)	Suspending any provision of the Rules of the Exchange or the Rules of the Clearing Corporation	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Chief Regulatory Officer</li> </ul>
418(a)(xiv)	Modifying any provisions of the Rules of the Exchange or the Rules of the Clearing Corporation	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>
418(a)(xv)	Providing for the carrying out of such actions through the Exchange's agreements with a third-party provider of clearing or regulatory services	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Chief Regulatory Officer</li> </ul>
1202(i)(iii)	Halting trading in VX futures during extended trading hours if there is a 5 or 8 index point movement in the VX futures front contract month	<ul style="list-style-type: none"> <li>• Senior Person in Charge of Help Desk</li> </ul>
1202(i)(iii)	Resuming trading during VX futures extended trading hours following a trading halt due to a 5 or 8 index point movement in the VX futures front contract month	<ul style="list-style-type: none"> <li>• Senior Person in Charge of Help Desk</li> </ul>
1202(i)(iv)	Halting trading in VX futures during extended trading hours if a price limit is triggered in the E-mini S&P 500 Index futures contract traded on Chicago Mercantile Exchange	<ul style="list-style-type: none"> <li>• Senior Person in Charge of Help Desk</li> </ul>
1202(i)(iv)	Resuming or commencing trading in VX futures during VX futures extended trading hours following the triggering of a price limit in the E-mini S&P 500 Index futures contract traded on Chicago Mercantile Exchange	<ul style="list-style-type: none"> <li>• Senior Person in Charge of Help Desk</li> </ul>

2. *Physical Emergency Delegations*

Rule 418(b) governs emergencies affecting the physical functions of the Exchange and provides a non-exclusive list of circumstances that may constitute such a “Physical Emergency.”

Rule 418(b) grants the President or any individual designated by the President the authority to determine on behalf of the Board the existence of a Physical Emergency and the authority to take actions in response to a Physical Emergency, including all of the actions listed below. The President or the President’s designee may also order the removal of any restriction previously imposed based upon a determination that the Physical Emergency no longer exists or has sufficiently abated to permit the function of the Exchange to continue in an orderly manner.

Pursuant to Rule 418(b), the following individuals in addition to the President are authorized as designees of the President to determine the existence of a Physical Emergency and to take the actions specified in the delegations below in response to a Physical Emergency. These additional individuals may also order the removal of any restriction that the applicable individual has been delegated the authority to impose based upon a determination by the applicable individual that the Physical Emergency no longer exists or has sufficiently abated to permit the function of the Exchange to continue in an orderly manner.

<b>Rule</b>	<b>Physical Emergency Actions</b>	<b>Physical Emergency Delegations</b>
418(b)	Delaying the opening of trading in one or more Contracts	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Senior Person in Charge of Help Desk</li> </ul>
418(b)	Suspending, curtailing or halting trading in one or more Contracts	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Senior Person in Charge of Help Desk</li> </ul>
418(b)	Extending or shortening trading hours for one or more Contracts	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>
418(b)	Closing the Exchange	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>

**B. *Procedures for Exercise of Emergency and Physical Emergency Delegations***

In the event that action is taken by the President or other individual with delegated authority in response to an Emergency or Physical Emergency as provided for in Paragraph A, the Board shall be advised of (1) the circumstances that gave rise to the

determination of the Emergency or Physical Emergency, (2) the action taken in response to the Emergency or Physical Emergency, and (3) the outcome of events relating to the Emergency or Physical Emergency. This notification shall be provided to the Board no later than its next meeting and shall be provided sooner to the extent required by Rule 418(c) or if the President or other individual with delegated authority with respect to the action taken determines that it would be advisable to do so under the circumstances.

In determining how soon the foregoing notification should be provided to the Board, the President or other individual with delegated authority with respect to the action taken should consider the significance of the action taken and of any continuing market impact resulting from that action. For example, the declaration of a fast market or the imposition a trading halt of limited duration are the types of actions that would not normally be expected to be immediately brought to the Board's attention. Conversely, the ordering of the transfer of Contracts, and the money, securities, and property securing such Contracts, held on behalf of a Customer by a Trading Privilege Holder to another Trading Privilege Holder who assumed such Contracts would normally be expected to be expeditiously brought to the Board's attention.

Adopted February 4, 2005 (05-06). Amended July 1, 2005 (05-15); August 8, 2005 (05-25). Deleted February 17, 2005 (06-03). Re-Adopted August 1, 2006 (06-12). Deleted May 15, 2008 (08-05). Re-Adopted May 15, 2008 (08-05). Amended January 12, 2009 (09-01); October 17, 2012 (12-26); October 28, 2013 (13-32); June 30, 2014 (14-15); May 4, 2015 (15-008); July 23, 2015 (15-015).

## **VI. Trading Privilege Holder Permit Program**

Any Person that desires to become a Trading Privilege Holder is required to obtain a Trading Privilege Holder permit (“TPH Permit”).

Initially, the Exchange will make available 2,500 TPH Permits. The Exchange may subsequently make available additional TPH Permits if the initial supply of 2,500 TPH Permits is exhausted.

TPH Permits may be obtained by any Person that is a trading permit holder of CBOE with CBOE trading privileges and any other Person that satisfies the requirements set forth in Rule 304(a).

Each Person desiring to obtain a TPH Permit must submit an application to the Exchange in a form and manner prescribed by the Exchange pursuant to Rule 305 and become approved by the Exchange as a Trading Privilege Holder. Each Trading Privilege Holder may permit one or more individuals to act as its Authorized Traders pursuant to Rule 303.

Any organization that desires to become a Clearing Member of the Exchange is required to become a Trading Privilege Holder and to obtain a TPH Permit. Additionally, in order to be an Exchange Clearing Member, an organization is required to be a member of the Clearing Corporation that is authorized under the rules of the Clearing Corporation to clear trades in Contracts traded on the Exchange.

CFE issues two different types of TPH Permits. The first type of TPH Permit is the Order Entry Trading Permit that provides an order entry bandwidth allowance, up to three logins to the CBOE System and Trading Privilege Holder status. The second type of TPH Permit is the Quoting and Order Entry Trading Permit that provides a quoting and order entry bandwidth allowance, up to three logins to the CBOE System and Trading Privilege Holder status. If additional logins and/or bandwidth are required, Trading Privilege Holders must obtain one or more additional TPH Permits, as applicable.

A Pool Manager may obtain a single TPH Permit for the Pool Manager and all of the Pools approved under Rule 305A for which it acts as Pool Manager. If there is more than one Pool Manager for a Pool or Pools, the Pool Managers for the Pool(s) may obtain a single Trading Permit for the Pool Managers and all of the Pools approved under Rule 305A for which they act as Pool Manager.

TPH Permit holders shall have all of the rights and obligations of Trading Privilege Holders under the Rules of the Exchange except to the extent otherwise provided under this Policy and the Rules of the Exchange.

Any recipient of a TPH Permit as permitted by Rule 302 is required to provide the Exchange with the appropriate application materials and to be approved as a Trading Privilege Holder pursuant to Rule 304 before the recipient will be permitted to act as a Trading Privilege Holder.

A TPH Permit is non-transferable, non-assignable and may not be sold or leased, except that a Trading Privilege Holder may, with the prior written consent of the Exchange, transfer a TPH Permit to a Trading Privilege Holder organization or organization approved to be a Trading Privilege Holder: (i) which is an Affiliate; or (ii) which continues substantially the same business without regard to the form of the transaction used to achieve such continuation, e.g., merger, sale of substantially all assets, reincorporation, reorganization or the like.

The term of each TPH Permit that is issued and outstanding at the end of 2016 shall be automatically extended until December 31, 2017 unless the TPH Permit holder notifies the Exchange in a form and manner and within the time period prescribed by the Exchange that the TPH Permit holder would like to have the TPH permit expire on December 31, 2016. All TPH Permits issued and outstanding during 2017 shall expire on December 31, 2017. The Exchange may determine to extend the term of TPH Permits or allow TPH Permits to expire. The Exchange may also replace the TPH Permit program with a different permit program at any time.

All Exchange fees applicable to TPH Permit holders and all other Exchange fees will be as set forth in a separate Exchange fee schedule.

Adopted October 1, 2003 (03-01). Amended March 16, 2005 (05-10); September 22, 2005 (05-27); December 18, 2006 (06-21); December 13, 2007 (07-13); December 9, 2008 (08-11); December 8, 2009 (09-17); June 18, 2010 (10-05); December 10, 2010 (10-11); January 1, 2012 (11-27); December 28, 2012 (12-32); May 14, 2013 (13-18); August 13, 2013 (13-30); December 27, 2103 (13-41); December 12, 2014 (14-028); November 25, 2015 (15-029); December 13, 2016 (16-015).

## **VII. Security Futures Market Maker Registration Policy and Procedures**

### **A. *Security Futures Market Maker Program***

Pursuant to Exchange Rule 514, the Exchange has adopted a market maker program under which one or more Trading Privilege Holders or Authorized Traders may be designated as market makers in respect of one or more Security Futures to provide liquidity and orderliness in the market for such Security Futures. To be designated as an Exchange market maker in Security Futures, a Trading Privilege Holder or Authorized Trader must complete and file with the Exchange a Market Maker Registration Form. By signing the registration form the Trading Privilege Holder or Authorized Trader will confirm that it meets and will continue to meet the qualifications to act as market maker in Security Futures in accordance with Exchange Rules. The member will be required to identify all Security Futures for which it seeks to be designated as a market maker and elect which of the two alternative sets of market maker obligations specified in Exchange Rule 517(n) it intends to undertake.

### **B. *Market Maker Exclusion from Customer Margin Requirements***

To qualify for the market maker exclusion in Exchange Rule 517(n) for purposes of the Exchange's customer margin rules relating to Security Futures, a person must:

- (1) be a Trading Privilege Holder or Authorized Trader that is registered with the Exchange as a dealer in Security Futures as defined in Section 3(a)(5) of the Exchange Act;
- (2) be registered as a floor trader or a floor broker under Section 4f(a)(1) of the CEA or as a dealer with the Securities and Exchange Commission ("SEC") under Section 15(b) of the Exchange Act;
- (3) maintain records sufficient to prove compliance with the requirements of Exchange Rule 517(n) and Commission Rule 41.42(c)(2)(v) and SEC Rule 400(c)(2)(v) under the Exchange Act as applicable, including without limitation trading account statements and other financial records sufficient to detail activity; and
- (4) hold itself out as being willing to buy and sell Security Futures for its own account on regular or continuous basis.

In addition, the market maker exclusion provides that any market maker that fails to comply with the rules of the Exchange or the margin rules adopted by the SEC and the Commission shall be subject to disciplinary action in accordance with Chapter 7 of the Exchange's rules, and that appropriate sanctions in the case of any such failure shall include, without limitation, a revocation of such market maker's registration as a dealer in Security Futures.



### **C. *Market Maker Categories***

Exchange Rule 517(n) specifies two alternative ways for a Trading Privilege Holder or Authorized Trader to satisfy the requirement that a market maker hold itself out as being willing to buy and sell Security Futures for its own account on a regular or continuous basis. Each Trading Privilege Holder or Authorized Trader seeking market maker designation must register for one of the following two market maker categories and will undertake to perform all of the obligations set forth in the elected category:

*Category 1.* The market maker will provide continuous two-sided quotations throughout the trading day for all delivery months of Security Futures representing a meaningful proportion of the total trading volume on the Exchange from Security Futures in which that market maker is designated as a market maker, subject to relaxation during unusual market conditions as determined by the Exchange (such as a fast market in either a Security Future or a security underlying such Security Future) at which times such market maker must use its best efforts to quote continuously and competitively; and when providing quotations, quotes for a minimum of one contract with a maximum bid/ask spread of no more than the greater of \$5.00 or 150 percent of the bid/ask spread in the primary market for the security underlying each Security Future; or

*Category 2.* The market maker will respond to at least 75 percent of the requests for quotations for all delivery months of Security Futures representing a meaningful proportion of the total trading volume on the Exchange from Security Futures in which that market maker is designated as a market maker, subject to relaxation during unusual market conditions as determined by the Exchange (such as a fast market in either a Security Future or a security underlying such Security Future) at which times such market maker must use its best efforts to quote competitively; and when responding to requests for quotation, quotes within five seconds for a minimum of one contract with a maximum bid/ask spread of no more than the greater of \$5.00 or 150 percent of the bid/ask spread in the primary market for the security underlying each Security Future.

For purposes of Categories 1 and 2 above, beginning on the 181<sup>st</sup> calendar day after the commencement of trading of Security Futures, a “meaningful proportion of the total trading volume on the Exchange from Security Futures in which that market maker is designated as a market maker” shall mean a minimum of 20 percent of such trading volume.

A market maker may satisfy the obligations under Category 1 or 2 above relating to the provision of quotations through the equivalent provision of orders instead of quotes.

**D. Qualification for “60/40” Tax Treatment**

To qualify as a “dealer” in security futures contracts within the meaning of Section 125(g)(9) of the Internal Revenue Code of 1986, as amended (the “Code”), a Trading Privilege Holder or Authorized Trader is required (i) to register as a market maker for purposes of the Exchange’s margin rules under Category 1 or Category 2 above; (ii) to undertake in its registration form to provide quotations for all products specified for the market maker exclusion from the Exchange margin rules; and (iii) to quote a minimum size of

- (A) ten (10) contracts for each product not covered by (B) or (C) below;
- (B) five (5) contracts for each product specified by the member to the extent such quotations are provided for delivery months other than the next two delivery months then trading; and
- (C) one (1) contract for any single stock futures contract where the average market price for the underlying stock was \$100 or higher for the preceding calendar month or for any futures contract on a narrow-based security index, as defined by Section 1a(25) of the CEA.

A Trading Privilege holder or Authorized Trader may satisfy the above requirements relating to the provision of quotations through the equivalent provision of orders instead of quotes.

**E. Products**

As noted above in completing the Market Maker Registration Form, a member must specify all Security Futures for which it intends to act as a market maker. The Exchange will assign to the Trading Privilege Holder or Authorized Trader all of the Security Futures listed on its registration form, unless the Exchange provides written notice to the Trading Privilege Holder or Authorized Trader identifying any Security Futures for which such assignment is withheld. A Trading Privilege Holder or Authorized Trader may change the list of Security Futures for which it undertakes to act as market maker for any calendar quarter by filing a revised Market Maker Registration Form with the Exchange on any business day prior to the last trading day of such quarter, and such change shall be effective retroactive to the first trading day of such quarter. Each market maker shall be responsible for maintaining books and records that confirm that it has fulfilled its quarterly obligations under the market maker category elected on its Market Maker Registration Form in respect of all Security Futures designated for that calendar quarter.

Adopted July 26, 2005 (05-20). Amended March 22, 2011 (11-05); November 9, 2015 (15-027).

## **VIII. Eligibility And Maintenance Criteria For Security Futures**

### **A. *Initial Listing Standards for Single Stock Futures***

1. For a Single Stock Future that is physically settled to be eligible for initial listing, the security underlying the futures contract must meet each of the following requirements:
  - (i) It must be a common stock, an American Depositary Receipt (“ADR”) representing common stock or ordinary shares, a share of an exchange traded fund (“ETF Share”), a trust issued receipt (“TIR”) or a share of a registered closed-end management investment company (“Closed-End Fund Share”).
  - (ii) It must be registered under Section 12 of the Exchange Act, and its issuer must be in compliance with any applicable requirements of the Exchange Act.
  - (iii) It must be listed on a national securities exchange (a “National Securities Exchange”) or traded through the facilities of a national securities association (“Association”) and reported as a “national market system” security as set forth in Rule 11Aa3-1 under the Exchange Act (“NMS security”).
  - (iv) There must be at least seven million shares or receipts evidencing the underlying security outstanding that are owned by persons other than those required to report their security holdings pursuant to Section 16(a) of the Exchange Act.

#### **Requirement (iv) as Applied to Restructure Securities:**

*In the case of an equity security that a company issues or anticipates issuing as the result of a spin-off, reorganization, recapitalization, restructuring or similar corporate transaction (“Restructure Security”), the Exchange may assume that this requirement is satisfied if, based on a reasonable investigation, it determines that, on the product’s intended listing date: (A) at least 40 million shares of the Restructure Security will be issued and outstanding; or (B) the Restructure Security will be listed on a National Securities Exchange or automated quotation system that is subject to an initial listing requirement of no less than seven million publicly owned shares.*

*In the case of a Restructure Security issued or distributed to the holders of the equity security that existed prior to the ex-date of a spin-off, reorganization, recapitalization, restructuring or similar corporate transaction (“Original Equity Security”), the Exchange may consider the number of outstanding shares of the Original Equity Security prior to the*

*spin-off, reorganization, recapitalization, restructuring or similar corporate transaction (“Restructuring Transaction”).*

- (v) In the case of an underlying security other than an ETF Share, TIR or Closed-End Fund Share, there must be at least 2,000 security holders.

*Requirement (v) as Applied to Restructure Securities:*

*If the security under consideration is a Restructure Security, the Exchange may assume that this requirement is satisfied if, based on a reasonable investigation, the Exchange determines that, on the product’s intended listing date: (A) at least 40 million shares of the Restructure Security will be issued and outstanding; or (B) the Restructure Security will be listed on a National Securities Exchange or automated quotation system that is subject to an initial listing requirement of at least 2,000 shareholders. In the case of a Restructure Security issued or distributed to the holders of the Original Equity Security, the Exchange may consider the number of shareholders of the Original Equity Security prior to the Restructuring Transaction.*

- (vi) In the case of an underlying security other than an ETF Share, TIR or Closed-End Fund Share, it must have trading volume (in all markets in which the underlying security is traded) of at least 2,400,000 shares in the preceding 12 months.

*Requirement (vi) as Applied to Restructure Securities:*

*Look-Back Test:* *In determining whether a Restructure Security that is issued or distributed to the shareholders of an Original Equity Security (but not a Restructure Security that is issued pursuant to a public offering or rights distribution) satisfies this requirement, the Exchange may “look back” to the trading volume history of the Original Equity Security prior to the ex-date of the Restructuring Transaction if the following Look-Back Test is satisfied:*

- (a) The Restructure Security has an aggregate market value of at least \$500 million;
- (b) The aggregate market value of the Restructure Security equals or exceeds the Relevant Percentage (defined below) of the aggregate market value of the Original Equity Security;
- (c) The aggregate book value of the assets attributed to the business represented by the Restructure Security equals or exceeds \$50 million and the Relevant Percentage of the aggregate book value of the assets attributed to the business represented by the Original Equity Security; or

- (d) The revenues attributed to the business represented by the Restructure Security equal or exceed \$50 million and the Relevant Percentage of the revenues attributed to the business represented by the Original Equity Security.

*For purposes of determining whether the Look-Back Test is satisfied, the term “Relevant Percentage” means: (i) 25%, when the applicable measure determined with respect to the Original Equity Security or the business it represents includes the business represented by the Restructure Security; and (ii) 33-1/3%, when the applicable measure determined with respect to the Original Equity Security or the business it represents excludes the business represented by the Restructure Security.*

*In calculating comparative aggregate market values, the Exchange will use the Restructure Security’s closing price on its primary market on the last business day prior to the date on which the Restructure Security is selected as an underlying security for a Security Futures product (“Selection Date”), or the Restructure Security’s opening price on its primary market on the Selection Date, and will use the corresponding closing or opening price of the related Original Equity Security.*

*Furthermore, in calculating comparative asset values and revenues, the Exchange will use the issuer’s (i) latest annual financial statements or (ii) most recently available interim financial statements (so long as such interim financial statements cover a period of not less than three months), whichever are more recent. Those financial statements may be audited or unaudited and may be pro forma.*

*Limitation on Use of Look-Back Test: Except in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, the Exchange will not rely upon the trading volume history of an Original Equity Security for any trading day unless it also relies upon the market price history for that trading day.*

*In addition, once the Exchange commences to rely upon a Restructure Security’s trading volume and market price history for any trading day, the Exchange will not rely upon the trading volume and market price history of the Original Equity Security for any trading day thereafter.*

- (vii) In the case of an underlying security that is an ETF Share, TIR or Closed-End Fund Share, it must have had a total trading volume (in all markets in which the underlying security has traded) of at least 2,400,000 shares or receipts evidencing the underlying security in the preceding 12 months.
- (viii) If the underlying security is a “covered security” as defined under Section 18(b)(1)(A) of the Securities Act of 1933, the market price per share of the underlying security has been at least \$3.00 for the previous five

consecutive business days preceding the date on which the Exchange submits a certificate to The Options Clearing Corporation for listing and trading. For purposes of this provision, the market price of such underlying security is measured by the closing price reported in the primary market in which the underlying security is traded.

Requirement (viii) as Applied to Restructure Securities:

Look-Back Test: *In determining whether a Restructure Security that is issued or distributed to the shareholders of an Original Equity Security (but not a Restructure Security that is issued pursuant to a public offering or rights distribution) satisfies this requirement, the Exchange may “look back” to the market price history of the Original Equity Security prior to the ex-date of the Restructuring Transaction if the following Look-Back Test is satisfied:*

- (a) The Restructure Security has an aggregate market value of at least \$500 million;
- (b) The aggregate market value of the Restructure Security equals or exceeds the Relevant Percentage (defined below) of the aggregate market value of the Original Equity Security;
- (c) The aggregate book value of the assets attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the aggregate book value of the assets attributed to the business represented by the Original Equity Security; or
- (d) The revenues attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the revenues attributed to the business represented by the Original Equity Security.

*For purposes of determining whether the Look-Back Test is satisfied, the term “Relevant Percentage” means: (i) 25%, when the applicable measure determined with respect to the Original Equity Security or the business it represents includes the business represented by the Restructure Security; and (ii) 33-1/3%, when the applicable measure determined with respect to the Original Equity Security or the business it represents excludes the business represented by the Restructure Security.*

*In calculating comparative aggregate market values, the Exchange will use the Restructure Security’s closing price on its primary market on the last business day prior to the Selection Date, or the Restructure Security’s opening price on its primary market on the Selection Date, and will use the corresponding closing or opening price of the related Original Equity Security.*

*Furthermore, in calculating comparative asset values and revenues, the Exchange will use the issuer's (i) latest annual financial statements or (ii) most recently available interim financial statements (so long as such interim financial statements cover a period of not less than three months), whichever are more recent. Those financial statements may be audited or unaudited and may be pro forma.*

*Restructure Securities Issued in Public Offering or Rights Distribution: In determining whether a Restructure Security that is distributed pursuant to a public offering or a rights distribution satisfies requirement (viii), the Exchange may look back to the market price history of the Original Equity Security if: (i) the foregoing Look-Back Test is satisfied; (ii) the Restructure Security trades "regular way" on a National Securities Exchange or automatic quotation system for at least five trading days immediately preceding the Selection Date; and (iii) at the close of trading on each trading day on which the Restructure Security trades "regular way" prior to the Selection Date, as well as at the opening of trading on Selection Date, the market price of the Restructure Security was at least \$3.00.*

*Limitation on Use of Look-Back Test: Except in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, the Exchange will not rely upon the market price history of an Original Equity Security for any trading day unless it also relies upon the trading volume history for that trading day. In addition, once the Exchange commences to rely upon a Restructure Security's trading volume and market price history for any trading day, the Exchange will not rely upon the trading volume and market price history of the related Original Equity Security for any trading day thereafter.*

- (ix) If the underlying security is not a "covered security" as defined under Section 18(b)(1)(A) of the Securities Act of 1933, it must have had a market price per security of at least \$7.50, as measured by the lowest closing price reported in any market in which it has traded, for the majority of business days during the three calendar months preceding the date of selection.

*Requirement (ix) as Applied to Restructure Securities:*

*Look-Back Test: In determining whether a Restructure Security that is issued or distributed to the shareholders of an Original Equity Security (but not a Restructure Security that is issued pursuant to a public offering or rights distribution) satisfies this requirement, the Exchange may "look back" to the market price history of the Original Equity Security prior to the ex-date of the Restructuring Transaction if the following Look-Back Test is satisfied:*

- (a) The Restructure Security has an aggregate market value of at least \$500 million;
- (b) The aggregate market value of the Restructure Security equals or exceeds the Relevant Percentage (defined below) of the aggregate market value of the Original Equity Security;
- (c) The aggregate book value of the assets attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the aggregate book value of the assets attributed to the business represented by the Original Equity Security; or
- (d) The revenues attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the revenues attributed to the business represented by the Original Equity Security.

*For purposes of determining whether the Look-Back Test is satisfied, the term “Relevant Percentage” means: (i) 25%, when the applicable measure determined with respect to the Original Equity Security or the business it represents includes the business represented by the Restructure Security; and (ii) 33-1/3%, when the applicable measure determined with respect to the Original Equity Security or the business it represents excludes the business represented by the Restructure Security.*

*In calculating comparative aggregate market values, the Exchange will use the Restructure Security’s closing price on its primary market on the last business day prior to the Selection Date, or the Restructure Security’s opening price on its primary market on the Selection Date, and will use the corresponding closing or opening price of the related Original Equity Security.*

*Furthermore, in calculating comparative asset values and revenues, the Exchange will use the issuer’s (i) latest annual financial statements or (ii) most recently available interim financial statements (so long as such interim financial statements cover a period of not less than three months), whichever are more recent. Those financial statements may be audited or unaudited and may be pro forma.*

*Restructure Securities Issued in Public Offering or Rights Distribution: In determining whether a Restructure Security that is distributed pursuant to a public offering or a rights distribution satisfies requirement (ix), the Exchange may look back to the market price history of the Original Equity Security if (i) the foregoing Look-Back Test is satisfied; (ii) the Restructure Security trades “regular way” on a National Securities Exchange or automatic quotation system for at least five trading days*



*immediately preceding the Selection Date; and (iii) at the close of trading on each trading day on which the Restructure Security trades “regular way” prior to the Selection Date, as well as at the opening of trading on Selection Date, the market price of the Restructure Security was at least \$7.50.*

*Limitation on Use of Look-Back Test: Except in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, the Exchange will not rely upon the market price history of an Original Equity Security for any trading day unless it also relies upon the trading volume history for that trading day. In addition, once the Exchange commences to rely upon a Restructure Security’s trading volume and market price history for any trading day, the Exchange will not rely upon the trading volume and market price history of the related Original Equity Security for any trading day thereafter.*

- (x) If the underlying security is an ADR:
  - (a) The Exchange must have in place an effective surveillance sharing agreement with the primary exchange in the home country where the stock underlying the ADR is traded;
  - (b) The combined trading volume of the ADR and other related ADRs and securities in the U.S. ADR market, or in markets with which the Exchange has in place an effective surveillance sharing agreement, represents (on a share equivalent basis) at least 50% of the combined worldwide trading volume in the ADR, the security underlying the ADR, other classes of common stock related to the underlying security, and ADRs overlying such other stock over the three-month period preceding the dates of selection of the ADR for futures trading (“Selection Date”);
  - (c)
    - (1) The combined trading volume of the ADR and other related ADRs and securities in the U.S. ADR market, and in markets with which the Exchange has in place an effective surveillance sharing agreement, represents (on a share equivalent basis) at least 20% of the combined worldwide trading volume in the ADR and in other related ADRs and securities over the three-month period preceding the Selection Date;
    - (2) The average daily trading volume for the ADR in the U.S. markets over the three-month period preceding the Selection Date is at least 100,000 receipts; and
    - (3) The daily trading volume for the ADR is at least 60,000 receipts in the U.S. markets on a majority of the trading days for the three-month period preceding the Selection Date; or

- (d) The Securities and Exchange Commission and Commodity Futures Trading Commission have otherwise authorized the listing.
- (xi) The Exchange will not list for trading any Security Futures product where the underlying security is a Restructure Security that is not yet issued and outstanding, regardless of whether the Restructure Security is trading on a “when issued” basis or on another basis that is contingent upon the issuance or distribution of securities.

**B. *Maintenance Standards for Single Stock Futures***

1. The Exchange will not open for trading any Single Stock Future that is physically settled with a new delivery month, and may prohibit any opening transactions in the Single Stock Future already trading, to the extent it deems such action necessary or appropriate, unless the underlying security meets each of the following maintenance requirements; provided that, if the underlying security is an ETF Share, TIR or Closed-End Fund Share, the applicable requirements for initial listing of the related Single Stock Future (as described in A.1. above) shall apply in lieu of the following maintenance requirements:
  - (i) It must be registered under Section 12 of the Exchange Act.
  - (ii) There must be at least 6,300,000 shares or receipts evidencing the underlying security outstanding that are owned by persons other than those who are required to report their security holdings pursuant to Section 16(a) of the Exchange Act.
  - (iii) There must be at least 1,600 security holders.
  - (iv) It must have had an average daily trading volume (across all markets in which the underlying security is traded) of least 82,000 shares or receipts evidencing the underlying security in each of the preceding 12 months.

*Requirement (iv) as Applied to Restructure Securities:*

*If a Restructure Security is approved for a Security Futures product trading under the initial listing standards in Section A, the average daily trading volume history of the Original Equity Security (as defined in Section A) prior to the commencement of trading in the Restructure Security (as defined in Section A), including “when issued” trading, may be taken into account in determining whether this requirement is satisfied.*

- (v) If the underlying security is an ADR and was initially deemed appropriate for Security Futures product trading under paragraph (x)(b) or (x)(c) in Section A, the Exchange will not open for trading Security Futures products having additional delivery months on the ADR unless:

- (a) The percentage of worldwide trading volume in the ADR and other related securities that takes place in the U.S. and in markets with which the Exchange has in place an effective surveillance sharing agreement for any consecutive three-month period is: (1) at least 30%, without regard to the average daily trading volume in the ADR; or (2) at least 15% when the average U.S. daily trading volume in the ADR for the previous three months is at least 70,000 receipts;
    - (b) The Exchange has in place an effective surveillance sharing agreement with the primary exchange in the home country where the security underlying the ADR is traded; or
    - (c) The Securities and Exchange Commission and Commodity Futures Trading Commission have otherwise authorized the listing.
  - 2. The Exchange will not open trading in a Single Stock Future with a new delivery month unless the underlying security is listed on a National Securities Exchange or is principally traded through the facilities of a national securities association and is designated as an NMS security.
  - 3. If prior to the withdrawal from trading of a Single Stock Future covering an underlying security that has been found not to meet the Exchange's requirements for continued approval, the Exchange determines that the underlying security again meets the Exchange's requirements, the Exchange may open for trading new delivery months in such Security Futures product and may lift any restriction on opening transactions.
  - 4. Whenever the Exchange announces that approval of an underlying security has been withdrawn for any reason or that the Exchange has been informed that the issuer of an underlying security has ceased to be in compliance with Exchange Act reporting requirements, each Clearing Member and Exchange Member (as such terms are defined in the Rules of the Exchange as in effect from time to time) shall, prior to effecting any transaction in Security Futures products with respect to such underlying security for any customer, inform such customer of such fact and that the Exchange may prohibit further transactions in such Security Futures products as it determines is necessary and appropriate.
- C. *Initial Eligibility Criteria for a Security Futures Product Based on an Index Composed of Two or More Securities.***
- 1. For a Security Futures product based on an index composed of two or more securities to be eligible for initial listing, the index must:
    - (i) Meet the definition of a narrow-based security index in Section 1a(25) of the CEA and Section 3(a)(55) of the Exchange Act; and
    - (ii) Meet the following requirements:

- (a) It must be capitalization-weighted, modified capitalization-weighted, price-weighted, equal dollar-weighted or, in the case of an index underlying physically settled Security Futures products only, approximately equal dollar-weighted.

*Weighting Methodology for Approximately Equal Dollar-Weighted Indices Underlying Physically Settled Security Futures Products:*

*In the case of a physically settled Security Futures product based on an approximately equal dollar-weighted index composed of one or more securities, each component security will be weighted equally based on its market price on the Selection Date, subject to rounding up or down the number of shares or receipts evidencing such security to the nearest multiple of 100 shares or receipts.*

- (b) Its component securities must be registered under Section 12 of the Exchange Act.
- (c) Subject to (e) and (1) below, the component securities that account for at least 90% of the total index weight and at least 80% of the total number of component securities in the index must meet the requirements for listing a single-security future, as set forth in Section A.
- (d) Each component security in the index must have a minimum market capitalization of at least \$75 million, except that each of the lowest weighted securities in the index that in the aggregate account for no more than 10% of the weight of the index may have a minimum market capitalization of only \$50 million.
- (e) The average daily trading volume in each of the preceding six months for each component security in the index must be at least 45,500 shares or receipts, except that each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index may have an average daily trading volume of only 22,750 shares or receipts for each of the last six months.
- (f) Each component security in the index must be (1) listed on a National Securities Exchange or traded through the facilities of an Association and (2) reported as an NMS security.
- (g) Foreign securities or ADRs thereon that are not subject to comprehensive surveillance sharing agreements must not represent more than 20% of the weight of the index.

- (h) The current underlying index value must be reported at least once every 15 seconds during the time the Security Futures product is traded on the Exchange.
- (i) An equal dollar-weighted index must be rebalanced at least once every calendar quarter, except that an approximately equal dollar-weighted index underlying a physically settled Security Futures product need only be rebalanced as provided in (j) below.
- (j) An approximately equal dollar-weighted index underlying a physically settled Security Futures product must be rebalanced annually if the aggregate value (i.e., the original number of shares multiplied by their current price) of the security position with the highest value is two or more times greater than the aggregate value of the security position with the lowest value in the index for any period of 10 consecutive trading days within the last month preceding the date of determination. In addition, the Exchange may from time to time, but no more frequently than quarterly, elect to rebalance any approximately equal dollar-weighted index underlying a physically settled Security Futures product depending on several factors, including the relative price changes of the component securities, the levels of volume and open interest in the contracts and input from market participants.

*Procedure for Rebalancing under (j):*

*The date of determination for the mandatory annual rebalancing of an approximately equal dollar-weighted index underlying a physically settled Security Futures product as described in the first sentence of (j) will be the last trading day of the year. New contracts issued on or after a date on which the corresponding index is rebalanced in accordance with (j) will be based on an index consisting of the original component securities, weighted applying the methodology described under (a) above on the basis of security prices on the rebalancing date. Outstanding contracts will not be affected by any rebalancing.*

- (k) If the underlying index is maintained by a broker-dealer, the index must be calculated by a third party who is not a broker-dealer, and the broker-dealer must have in place an information barrier around its personnel who have access to information concerning changes in and adjustments to the index.
- (l) In a capitalization-weighted index, the lesser of: (1) the five highest weighted component securities in the index each have had an average daily trading volume of at least 90,000 shares or receipts over the past six months; or (2) the highest weighted

component securities in the index that in the aggregate represent at least 30% of the total number of securities in the index each have had an average daily trading volume of at least 90,000 shares or receipts over the past six months.

**D. *Maintenance Standards for a Security Futures Product Based on an Index Composed of Two or More Securities.***

1. The Exchange will not open for trading Security Futures products based on an index composed of two or more securities with a new delivery month unless the underlying index:

- (i) Meets the definition of a narrow-based security index in Section 1a(25) of the Commodity Exchange Act and Section 3(a)(55) of the Exchange Act; and
- (ii) Meets the following requirements:
  - (a) Its component securities must be registered under Section 12 of the Exchange Act.
  - (b) Subject to (d) and (k) below, the component securities that account for at least 90% of the total index weight and at least 80% of the total number of component securities in the index must meet the requirements for listing a single-security future, as set forth in Section A.
  - (c) Each component security in the index must have a market capitalization of at least \$75 million, except that each of the lowest weighted component securities that in the aggregate account for no more than 10% of the weight of the index may have a market capitalization of only \$50 million.
  - (d) The average daily trading volume in each of the preceding six months for each component security in the index must be at least 22,750 shares or receipts, except that each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index may have an average daily trading volume of at least 18,200 shares or receipts for each of the last six months.
  - (e) Each component security in the index must be (1) listed on a National Securities Exchange or traded through the facilities of an Association and (2) reported as an NMS security.
  - (f) Foreign securities or ADRs thereon that are not subject to comprehensive surveillance sharing agreements must not represent more than 20% of the weight of the index.

- (g) The current underlying index value must be reported at least once every 15 seconds during the time the Security Futures product is traded on the Exchange.
- (h) An equal dollar-weighted index must be rebalanced at least once every calendar quarter, except that an approximately equal dollar-weighted index underlying a physically settled Security Futures product need only be rebalanced as provided in (i) below.
- (i) An approximately equal dollar-weighted index underlying a physically settled Security Futures product must be rebalanced annually if the aggregate value (i.e., the original number of shares multiplied by their current price) of the security position with the highest value is two or more times greater than the aggregate value of the security position with the lowest value in the index for any period of 10 consecutive trading days within the last month preceding the date of determination. In addition, the Exchange may from time to time, but no more frequently than quarterly, elect to rebalance any approximately equal dollar-weighted index underlying a physically settled Security Futures product depending on several factors, including the relative price changes of the component securities, the levels of volume and open interest in the contracts and input from market participants.

*Procedure for Rebalancing under (i):*

*See under C. 1.(ii)(j) above.*

- (j) If the underlying index is maintained by a broker-dealer, the index must be calculated by a third party who is not a broker-dealer, and the broker-dealer must have in place an information barrier around its personnel who have access to information concerning changes in and adjustments to the index.
- (k) In a capitalization-weighted index, the lesser of: (1) the five highest weighted component securities in the index each have had an average daily trading volume of at least 45,500 shares or receipts over the past six months; and (2) the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of stocks in the index each have had an average daily trading volume of at least 45,500 shares or receipts over the past six months.
- (l) The total number of component securities in the index must not increase or decrease by more than 33-1/3% from the number of component securities in the index at the time of its initial listing.

2. If the foregoing maintenance standards are not satisfied, the Exchange will not open for trading a Security Futures product based on an index composed of two or more securities with a new delivery month, unless it receives the approval of the Securities and Exchange Commission and the Commodity Futures Trading Commission.

**E. *Eligibility for Listing Security Futures on Securities Approved for Options Trading.***

As provided for in the Joint Order Modifying the Listing Standards Requirements Under Section 6(h) of the Exchange Act and the Criteria Under Section 2(a)(1) of the CEA issued by the Commission and the Securities Exchange Commission (Securities Exchange Act Release No. 61027 (November 19, 2009), 74 FR 61380 (November 24, 2009), the Exchange may list security futures on any security that is eligible to underlie options traded on a national securities exchange.

Adopted July 26, 2005 (05-20). Amended March 22, 2011 (11-05).



**IX. Reserved.**

Adopted October 28, 2005 (05-30). Deleted July 5, 2006 (06-11). Readopted March 2, 2009 (09-07). Amended September 2, 2009 (09-15). Deleted and readopted March 25, 2011 (11-07). Amended January 9, 2012 (11-29); February 23, 2012 (12-05); December 28, 2012 (12-33); December 31, 2013 (13-43); December 16, 2014 (14-032). Deleted December 9, 2015 (15-033).

## **X. DPM Market Performance Benchmarks Program**

Each DPM that is allocated a Contract as a DPM shall comply with the general and product specific DPM market performance benchmarks set forth below and shall receive the DPM participation right set forth in the rules governing the relevant Contract. In addition, if product specific DPM benefits are set forth below with respect to a particular Contract, the DPM that is allocated that Contract shall receive those benefits.

The Exchange may terminate, place conditions upon or otherwise limit a Trading Privilege Holder's approval to act as a DPM or a DPM's allocation of Contracts in accordance with Rule 515 if the DPM fails to satisfy the market performance benchmarks under this Policy and Procedure. However, failure by a DPM to satisfy the market performance benchmarks under this Policy and Procedure shall not be deemed a violation of Exchange rules.

The DPM Market Performance Benchmarks Program under this Policy and Procedure will expire on December 31, 2017. The Exchange may determine to extend the term of the Program, allow the Program to expire, terminate the Program at any time, or replace the Program with a different program at any time.

### **General DPM Market Performance Benchmarks**

- On each trading day between 8:30 a.m. and 3:15 p.m. ("Regular Trading Hours"), each DPM shall hold itself out as being willing to buy and sell each allocated Contract for the DPM's own account on a regular basis.
- Subject to regulatory obligations and requirements and best execution obligations to customers, the firm will work with the Exchange to develop a significant amount of order flow in its allocated Contracts.
- Each DPM shall maintain records sufficient to demonstrate compliance with the Market Performance Benchmarks set forth in this Policy and Procedure that are applicable to that DPM.

### **Product Specific DPM Market Performance Benchmarks**

#### **S&P 500 Variance Futures**

- Throughout the trading day during Regular Trading Hours, the DPM shall use commercially reasonable efforts to provide continuous two-way quotes in S&P 500 Variance futures contract months as set forth in the table below.

Continuous Two-Way Quote	
Months to Maturity	Maximum Quote Width
0 - 1	300 basis points
2-3	150 basis points
4-9	100 basis points

Continuous Two-Way Quote	
Months to Maturity	Maximum Quote Width
10-18	125 basis points
Over 18	150 basis points

- The above maximum quote width market performance benchmarks shall not apply during the expiration week of an S&P 500 Variance futures contract.
- The above market performance benchmarks shall be subject to relief in the event of a fast market in S&P 500 Variance futures or SPX options traded on CBOE or other extenuating circumstances or unusual market conditions to be determined solely by the Exchange. Under conditions as specified in the foregoing sentence, the DPM shall use commercially reasonable efforts to provide a continuous quote and to respond to requests for a quote.
- The above market performance benchmarks do not apply with respect to stub positions in the S&P 500 Variance futures contract, which are positions that when converted from variance units (number of contracts) to vega notional are equal to an amount that is less than 1 notional equivalent of 1,000 vega notional. The DPM shall respond to requests for a quote in S&P 500 Variance stub positions.

**CBOE Russell 2000 Volatility Index ("VU") Futures**

- Throughout the trading day during Regular Trading Hours, the DPM shall provide at least 95% of the time in each VU futures contract with 9 months or less until expiration three two-way minimum quotes with minimum quote sizes and maximum quote widths as set forth in the table below.

First Continuous Two-Way Quote	
Minimum Quote Size	Maximum Quote Width Calculated as a Percentage of Offer Price
5 x 5	2%
Second Continuous Two-Way Quote	
Minimum Quote Size	Maximum Quote Width Calculated as a Percentage of Offer Price
10 x 10	5%
Third Continuous Two-Way Quote	
Minimum Quote Size	Maximum Quote Width Calculated as a Percentage of Offer Price
20 x 20	10%

- The DPM shall provide a two-way quote during Regular Trading Hours in response to a request from the Exchange that the DPM post a market for an VU future or futures.

- The above market performance benchmarks shall be subject to relief in the event of a fast market in VU futures or Russell 2000 ("RUT") options traded on CBOE or other extenuating circumstances or unusual market conditions to be determined solely by the Exchange. Under conditions as specified in the foregoing sentence, the DPM shall use commercially reasonable efforts during Regular Trading Hours to provide a continuous quote and to respond to requests for a quote from the Exchange.
- The DPM may satisfy above market performance benchmarks relating to the provision of quotes through the equivalent provision of orders instead of quotes.

**Product Specific DPM Benefits**

**S&P 500 Variance Futures**

- For each calendar quarter (including any partial calendar quarter) during which a Trading Privilege Holder acts as the DPM for S&P 500 Variance futures, the Exchange will maintain a DPM Revenue Pool for the DPM for that quarter.
- The percentage of transaction fees (excluding regulatory fees) collected by the Exchange for transactions in S&P 500 Variance futures that will be included in the DPM Revenue Pool for a calendar quarter will be based upon the average daily contract volume in S&P 500 Variance futures, measured in “vega notional” amounts, traded on the Exchange during that quarter, as set forth in the table below. Each percentage in the table shall be applicable with respect to that portion of the average daily contract volume that is within the applicable volume range.

Average Daily “Vega Notional” Contract Volume During Calendar Quarter	Percentage of Transaction Fees Included in DPM Revenue Pool
0 – 5,000,000	30%
5,000,001 – 10,000,000	20%
10,000,001 – 20,000,000	15%
20,000,001 – 50,000,000	11.7%
50,000,001 or greater	8%

- For example, if the average daily contract volume during a calendar quarter is 15,000,000 vega notional, 30% of the transaction fees attributable to the volume between 0 vega notional and 5,000,000 vega notional would be included in the DPM Revenue Pool, 20% of the transaction fees attributable to the volume between 5,000,001 vega notional and 10,000,000 vega notional would be included in the DPM Revenue Pool, and 15% of the transaction fees attributable to the volume between 10,000,001 vega notional and 15,000,000 vega notional would be included in the DPM Revenue Pool.
- Payment to the DPM from the DPM Revenue Pool for a calendar quarter will be made following the end of the calendar quarter.

**VU Futures**

- Beginning January 1, 2014, for each calendar quarter (including any partial calendar quarter) during which a Trading Privilege Holder acts as the DPM for VU futures, the Exchange will maintain a DPM Revenue Pool for the DPM for that quarter equal to 15% of total net transaction fees (excluding regulatory fees and Day Trade fee rebates) collected by the Exchange for transactions in VU futures.
- Payment to the DPM from the DPM Revenue Pool for a calendar quarter will be made following the end of the calendar quarter.

Adopted February 14, 2011 (11-04). Amended June 20, 2011 (11-16); October 27, 2011 (11-21); June 15, 2012 (12-13); September 27, 2012 (12-18); October 10, 2012 (12-23); May 16, 2013 (13-19); June 11, 2013 (13-24); November 18, 2013 (13-36); January 23, 2014 (13-44); February 13, 2014 (14-01); December 12, 2014 (14-029); January 1, 2015 (14-033); January 20, 2015 (15-001); September 4, 2015 (15-023); December 3, 2015 (15-030); December 9, 2015 (15-033); December 13, 2016 (16-014).

## **XI. CBOE/CBOT 10-Year U.S. Treasury Note Volatility Index Lead Market Maker Program**

Trading Privilege Holder (“TPH”) organizations may apply to the Exchange for appointment as a lead market maker (“LMM”) in the CBOE/CBOT 10-Year U.S. Treasury Note Volatility Index (“VXTY”) Futures Lead Market Maker Program (“Program”).

The Exchange may approve one or more TPHs as lead market makers in the Program. Any TPH that desires to apply for LMM status in the Program should submit an application in the form of a letter outlining the organization’s qualifications and commitments. TPHs shall be selected by the Exchange based on the Exchange’s judgment as to which applicants are most qualified to perform the functions of an LMM under the Program. Factors to be considered in making this selection may include, but are not limited to, satisfaction of the qualifications listed below as well as any one or more of the factors listed in CFE Rule 515(b), as applied to LMM applicants instead of with respect to DPM applicants.

The following describes the qualifications, market performance benchmark, benefits, and appointment term under the Program unless otherwise specified

### **Qualifications**

- Experience in trading futures and/or options on volatility indexes.
- Ability to automatically and systemically provide quotations.

### **Market Performance Benchmark**

- Throughout the trading day between 7:00 a.m. and 3:15 p.m. (Chicago time), each LMM in the Program shall provide at least 95% of the time a 2-sided quote for a minimum of 25 contracts within a maximum width of \$0.05 in all contract months.
- The above market performance benchmark shall be subject to relief in the event of a fast market in the VXTY futures contract or the component options on 10-Year Treasury Note futures listed on the Chicago Board of Trade (“CBOT”) (ticker: OZN options) or other extenuating circumstances or unusual market conditions to be determined solely by the Exchange. Under conditions as specified in the foregoing sentence, each LMM in the Program shall use commercially reasonable efforts to provide a continuous quote and to respond to requests for a quote.
- The Exchange may terminate, place conditions upon, or otherwise limit a TPH’s appointment as an LMM under the Program if the TPH fails to satisfy the market performance benchmarks under the Program. However, failure of a TPH to satisfy the market performance benchmark under the Program shall not be deemed a violation of Exchange rules.

## **Benefits**

### **Transaction Fee Waiver**

- Transaction fees in the VXTY futures contract (other than the CFE Regulatory Fee) shall be waived through June 30, 2014 for each LMM under the Program
- In order to receive the transaction fee waiver, each LMM must identify to the Exchange in advance the specific login(s) that the LMM will use in connection with VXTY futures trading.

### **LMM Trade Participation Right**

- LMMs under the Program shall be afforded the following trade participation priority over orders and quotes placed by others in each VXTY futures contract when one or more LMMs is quoting at the best bid/offer in that contract immediately prior to the execution of the relevant transaction.
  - The LMM trade participation right will be 30%.
- If there is more than one LMM quoting at the best bid/offer, the 30% trade participation right will be allocated among those LMMs by price-time priority in the following manner:
  - If the size of the quote of the LMM that was first in time at the best/bid offer (among the LMMs quoting at the best bid/offer) is greater than or equal to the quantity attributable to the 30% trade participation right for the transaction, the entire 30% trade participation right will be allocated to that LMM for the transaction.
  - If the size of the quote of the LMM that was first in time at the best bid/offer (among the LMMs quoting at the best bid/offer) is less than the quantity attributable to the 30% trade participation right for the transaction, the remaining quantity attributable to the 30% participation right will next be allocated to the LMM that was second in time at the best bid/offer (among the LMMs quoting at the best bid/offer). This process of allocating the remaining trade participation right to the LMMs quoting at the best bid/offer in time order will continue until the quantity attributable to the 30% participation right is fully allocated or the quantity of each LMM's quote at the best bid/offer is exhausted.
  - An LMM may not be allocated a total quantity through the trade participation right that is greater than the quantity that the LMM is quoting at the best/bid offer.
  - If the application of the trade participation right would result in allocation to an LMM of a number of contracts that is not a whole number, that number will be rounded up to the next whole number if the fractional portion of that number is 0.5 or greater and will be rounded down to the previous whole number if the

fractional portion of that number is less than 0.5.

- The base allocation method of price-time priority in VXTY futures and the LMM trade participation right priority in VXTY futures shall interact in the following manner:
  - LMMs will receive any allocation resulting from the LMM trade participation right priority and any further allocation resulting from the subsequent application of price-time priority to an LMM's remaining quote at the best bid/offer.
- For purposes of the Program, references in the Program to quoting and quotes by an LMM shall only be deemed to include a quote from an LMM and shall not be deemed to include a proprietary order from an LMM.

### **Term**

The Program and each LMM appointment under the Program will expire on December 31, 2016. The Exchange may determine to extend the term of the Program and LMM appointments under the Program, allow the Program and LMM appointments under the Program to expire, terminate the Program and all LMM appointments under the Program at any time, or replace the Program with a different LMM program at any time.

Adopted September 27, 2012 (12-19). Deleted May 16, 2013 (13-19). Readopted May 21, 2013 (13-20). Deleted December 30, 2013 (13-43). Readopted November 13, 2014 (14-23). Amended May 4, 2015 (15-08); June 30, 2015 (15-17).



## **XII. Confidentiality Policy for Information Received or Reviewed in a Regulatory Capacity**

### **I. Purpose**

The Regulatory Services Division of the Exchange and other personnel within the Regulatory Group receive and review confidential information in connection with fulfilling Exchange regulatory responsibilities. This policy sets forth in detail the specific types of information received or reviewed in a regulatory capacity that must be kept confidential and the limited circumstances in which the information may be used and disclosed to other individuals and entities.

### **II. Scope**

This policy applies to the staff of the Regulatory Group and any other individuals that have an obligation to maintain the confidentiality of confidential information received or reviewed in a regulatory capacity as a result of properly getting access to the confidential information. The Regulatory Group consists of all employees of the Regulatory Services Division and any employee who is performing services for the Regulatory Services Division, including, when providing such services, the General Counsel and enforcement attorneys as well as systems and database personnel who are assigned to work on matters for the Regulatory Services Division.

### **III. Confidential Information**

For the purposes of this policy, confidential information received or reviewed in a regulatory capacity, whether such confidential information originates at the Exchange or any other self-regulatory organization or is provided to the Exchange pursuant to a memorandum of understanding or agreement or any other type of similar information sharing arrangement, includes:

- a. Position Data – Data collected via the reporting of large trader positions (via Commission Form 102) as well as clearing member position data maintained in The Options Clearing Corporation's clearing system;
- b. Financial Information – Financial records, including original third party or internal source documents, used in the production of financial reports or used to demonstrate compliance with Exchange rules;
- c. Detailed Transaction Data – Trade data at the specific account level for individual trades from which market positions and/or profit and loss might be derived; and
- d. Investigative Materials – Documents collected as part of routine surveillance activities or investigations of potential rule violations, including, but not limited to (i) account statements; (ii) orders to buy and sell contracts traded on the Exchange; (iii) customer account agreements; (iv) bank records; and, (v) audio tape.

e. Other Confidential Information – Any other information required to be kept confidential pursuant to the CBOE Holdings, Inc. and Subsidiaries Regulatory Independence Policy for Regulatory Group Personnel (Regulatory Independence Policy).

#### **IV. Responsibilities**

Senior management in the Regulatory Services Division is responsible for ensuring that Regulatory Group staff are aware of, and adhere to, this policy.

#### **V. Procedure**

Confidential information received or reviewed in a regulatory capacity shall be used solely for regulatory purposes and shall be made available exclusively to Regulatory Group staff, to the National Futures Association in its capacity as regulatory services provider to the Exchange, and as otherwise permitted by the Regulatory Independence Policy.

Confidential information received or reviewed in a regulatory capacity may also be released pursuant to (i) a request by the Commodity Futures Trading Commission, Securities and Exchange Commission, or the United States Department of Justice; (ii) a request by a securities or derivatives self-regulatory organization pursuant to an information sharing agreement; or, (iii) a valid subpoena or other order of a court that directs the Exchange to release such confidential information. Any disclosure under these circumstances must be approved by senior management in the Regulatory Services Division or in the Legal Division, as appropriate.

Confidential Financial Information received or reviewed in a regulatory capacity may also be used by the Exchange to implement the Exchange's Conflict of Interest Policy regarding Securities and Futures Products Transactions that applies to Exchange employees.

#### **VI. Use of Regulatory Data**

The Exchange may not use for business or marketing purposes any proprietary data or personal information the Exchange collects or receives, from or on behalf of any Person, for the purpose of fulfilling the Exchange's regulatory obligations; provided, however, that the Exchange may use such data or information for business or marketing purposes if the Person from whom the Exchange collects or receives such data or information clearly consents to the Exchange's use of such data or information in such manner. The Exchange may not condition access to its trading facility on a market participant's consent to the use of proprietary data or personal information for business or marketing purposes.

#### **VII. Consequences of Noncompliance**

Failure to comply with this policy may result in disciplinary action in accordance with the Exchange's employment policies.

Adopted October 17, 2012 (12-26). Amended June 30, 2014 (14-15).

### **XIII. CBOE Holdings, Inc. and Subsidiaries Regulatory Independence Policy for Regulatory Group Personnel**

#### **Introduction**

This policy applies to all employees of the Regulatory Group.<sup>1</sup>

The Regulatory Group is responsible for performing the regulatory function for Chicago Board Options Exchange, Incorporated (“CBOE”), C2 Options Exchange, Incorporated (“C2”), CBOE Futures Exchange, LLC (“CFE”), Bats BZX Exchange, Inc. (“BZX”), Bats BYX Exchange, Inc. (“BYX”), Bats EDGA Exchange, Inc. (“EDGA”), Bats EDGX Exchange, Inc. (“EDGX”), and Bats Hotspot SEF LLC (“SEF”).<sup>2</sup> CBOE Holdings, Inc. is the parent of these entities, which, along with any other CBOE Holdings, Inc. subsidiaries, are referred to collectively in this policy as the “CBOE Companies.”

CBOE, C2, BZX, BYX, EDGA, EDGX and the Financial Industry Regulatory Authority, Inc. (“FINRA”) are parties to RSAs pursuant to which FINRA performs certain regulatory services. CFE has entered into an RSA with the National Futures Association (“NFA”) pursuant to which the NFA performs certain regulatory services. This policy applies with respect to employees of a regulatory services provider providing regulatory services to a CBOE Company in the same manner that it applies with respect to regulatory employees of a CBOE Company. Notwithstanding that a CBOE Company has entered into an RSA with a regulatory services provider, such as FINRA or NFA, to provide regulatory services, the CBOE Company retains ultimate legal responsibility for, and control of, its self-regulatory responsibilities.

#### **Purpose**

The purpose of this policy is to preserve the independence of the Regulatory Group as it

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<sup>1</sup> For purposes of this policy, the Regulatory Group includes (i) all regulatory employees of any CBOE Company; (ii) any employee of any CBOE Company who is performing services for the Regulatory Group, including, for example, when providing such services, Legal Division and Compliance Department employees as well as systems and database personnel who are assigned to work on matters for the Regulatory Group, and (iii) employees of a regulatory services provider providing regulatory services for a CBOE Company pursuant to any Regulatory Services Agreement (“RSA”).

<sup>2</sup> CBOE, C2, BZX, BYX, EDGA, and EDGX are self-regulatory organizations under the Securities and Exchange Act of 1934 (“Act”), and each is required to enforce compliance by its respective trading permit holders, permit holders and members and their associated persons with the provisions of the Act, the SEC’s rules and regulations, that exchange’s rules, and certain rules of the Federal Reserve Board and The Options Clearing Corporation. CFE is a designated contract market. SEF is a swap execution facility. Under the Commodity Exchange Act (“CEA”), CFE and SEF are required to enforce compliance by their trading privilege holders and participants and their related parties with the CEA, the regulations of the Commodity Futures Trading Commission, and, to the extent applicable, CFE’s rules, certain rules of the Federal Reserve Board, certain rules of The Options Clearing Corporation and the Act and rules and regulations promulgated pursuant to the Act. Hereinafter, the term trading permit holder encompasses a trading permit holder, trading privilege holder, permit holder, member, participant, or other person or entity with trading privileges on a market of a CBOE Company.

performs regulatory functions and to avoid even the appearance that the performance of those regulatory functions and services is or can be affected by the business interests of a CBOE Company or the business interests of any trading permit holder of a CBOE Company.

### **The Independence of the Regulatory Group**

All regulatory decisions shall be made without regard to the actual or perceived business interests of the CBOE Companies or any of their trading permit holders.

Regulatory Group personnel shall act to preserve the independence of the Regulatory Group's regulatory functions and may not take any action that could, or reasonably might appear to represent an attempt to, interfere with the independent performance of the Regulatory Group's regulatory functions.

### **Communications Regarding Regulatory Matters**

All information concerning a regulatory matter (as that term is defined below) involving the Regulatory Group or another regulator shall be treated as confidential and may not be used for any purpose unrelated to the regulatory function of the Regulatory Group. In addition, except as provided below, as required by law, or as specifically authorized by the Chief Regulatory Officer or General Counsel of the applicable CBOE Company, Regulatory Group personnel shall not communicate about any regulatory matter with any person who is not a member of the Regulatory Group.

Regulatory matters include regulatory investigations, examinations, inquiries or complaints either from or about a regulated entity or person concerning existing or anticipated regulatory actions, investigative and surveillance activities of the Regulatory Group, and the planning and development of examination programs and surveillance procedures. Regulatory matters also include any regulatory investigation, examination, inquiry or complaint that is being investigated or brought by the SEC or by any other regulator. Regulatory matters do not include regulatory inquiries about a CBOE Company or its employees or representatives or activities related to potential legislation, rule-making or general regulatory policies that do not include specific facts about existing or anticipated regulatory investigations, examinations or actions.

As exceptions to the restriction on communications concerning regulatory matters, Regulatory Group personnel may discuss regulatory matters with:

- Personnel of a CBOE Company or committee in order to obtain information reasonably necessary to perform the Regulatory Group's regulatory activities;
- Personnel of a CBOE Company to the extent necessary to allow a CBOE Company to assess whether its operations, procedures or systems should be altered to address an issue arising out of a regulatory matter;
- Other regulators or governmental agencies;

- Regulated entities or persons, provided such communication is reasonably related to either a determination as to whether a regulatory violation has occurred, the resolution of a regulatory matter, or an effort to obtain regulatory compliance;
- Employees and directors of a CBOE Company, provided such communication is limited to conveying the final disposition of a regulatory matter;
- Members of the Regulatory Oversight and Compliance Committee or the Regulatory Oversight Committee of any CBOE Company;
- Members of the CBOE Holdings, Inc. Audit Committee and Board in connection with their oversight of CBOE Holdings' risk assessment and risk management, including risks related to CBOE Holdings' compliance with laws, regulations, and its policies;<sup>1</sup>
- Members of the Business Conduct Committee of any CBOE Company;
- Directors of a CBOE Company to the extent that the communication is (i) relevant to the Board's self-regulatory responsibilities, or (ii) related to an appeal from a regulatory decision that the director is involved in deciding;
- Employees of a CBOE Company to the extent relevant either to determining whether an application to become a trading permit holder should be approved or to a mandatory reporting obligation;
- CBOE Company lawyers or outside counsel retained to assist with that regulatory matter; or
- As otherwise approved by the Chief Regulatory Officer or General Counsel of the applicable CBOE Company.

In addition, Regulatory Group personnel may discuss issues concerning management, budgeting and financial planning issues of the Regulatory Group with directors and employees of the CBOE Companies, provided that those communications do not include specific facts about existing or anticipated regulatory investigations, examinations or actions.

### **Response to Improper Communications**

If a member of the Regulatory Group receives a communication that reasonably could be considered to be a request or a suggestion that business considerations should bear on the handling of a regulatory matter, that person shall immediately report the communication to the

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<sup>1</sup> The Chief Regulatory Officer of the applicable CBOE Company will have direct access to the Audit Committee Chairperson to discuss matters related to oversight of CBOE Holdings' risk assessment and risk management, including risks related to CBOE Holdings' compliance with laws, regulations, and its policies.

Chief Regulatory Officer and/or General Counsel of the applicable CBOE Company. The Chief Regulatory Officer and General Counsel shall then jointly determine how to ensure that the improper communication does not improperly affect the regulatory process.

### **Violations of the Policy**

Any violation of this policy shall be subject to appropriate disciplinary action, which may include the termination of employment.

Adopted October 17, 2012 (12-26). Amended April 30, 2015 (15-09); December 9, 2015 (15-032); April 7, 2017 (17-009).

#### **XIV. CBOE Holdings, Inc. and Subsidiaries Regulatory Independence Policy for Non-Regulatory Group Personnel**

##### **Summary**

This policy is designed to preserve the independence of the Regulatory Group by prohibiting certain communications between directors or non-regulatory employees of a CBOE Company<sup>1</sup> and Regulatory Group personnel concerning regulatory matters.<sup>2</sup>

Subject to the exceptions described below, this policy:

1. Prohibits directors and non-regulatory employees of a CBOE Company from discussing issues related to regulatory matters with Regulatory Group personnel;
2. Prohibits directors and non-regulatory employees of a CBOE Company from communicating with Regulatory Group personnel about regulatory issues, questions or complaints that a regulated person or entity has raised about regulatory matters;
3. Provides that, if a director or non-regulatory employee of a CBOE Company is contacted by a regulated person or entity regarding a regulatory matter, the response to such a communication must be limited to advising the person or entity to contact the Chief Regulatory Officer, Deputy Chief Regulatory Officer, or Chief Regulatory Advisor of the applicable CBOE Company or to call the Regulatory Group's Regulatory Interpretations line for the applicable CBOE Company.

##### **Purpose**

The purpose of this policy is to preserve the independence of the Regulatory Group as it performs its regulatory functions and to avoid even the appearance that the performance of those regulatory functions is or can be affected by the business interests of any CBOE Company or the business interests of any trading permit holder<sup>3</sup> of any CBOE Company.<sup>1</sup>

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<sup>1</sup> Reference to "CBOE Company" in this policy means CBOE Holdings, Inc. and its subsidiaries Chicago Board Options Exchange, Incorporated ("CBOE"), C2 Options Exchange, Incorporated ("C2"), CBOE Futures Exchange, LLC ("CFE"), Bats BZX Exchange, Inc. ("BZX"), Bats BYX Exchange, Inc. ("BYX"), Bats EDGA Exchange, Inc. ("EDGA"), Bats EDGX Exchange, Inc. ("EDGX"), Bats Hotspot SEF LLC ("SEF") and all other subsidiaries or affiliates of CBOE Holdings, Inc.

<sup>2</sup> For purposes of this policy, the Regulatory Group includes (i) all regulatory employees of any CBOE Company; (ii) any employee of any CBOE Company who is performing services for the Regulatory Group, including for example, when providing such services, Legal Division and Compliance Department employees as well as systems and database personnel who are assigned to work on matters for the Regulatory Group, and (iii) employees of a regulatory services provider providing regulatory services for a CBOE Company pursuant to any Regulatory Services Agreement ("RSA").

<sup>3</sup> The term trading permit holder encompasses a trading permit holder, trading privilege holder, permit holder, member, participant, or other person or entity with trading privileges on a market of a CBOE Company.

## **Persons Subject to the Policy**

This policy applies to all directors and non-regulatory employees of a CBOE Company, including temporary, part-time, and full-time employees and consultants.

## **Regulatory Services Agreements**

CBOE, C2, BZX, BYX, EDGA, EDGX and the Financial Industry Regulatory Authority, Inc. (“FINRA”) are parties to RSAs pursuant to which FINRA performs certain regulatory services. CFE has entered into an RSA with the National Futures Association (“NFA”) pursuant to which the NFA performs certain regulatory services. This policy applies with respect to employees of a regulatory services provider providing regulatory services to a CBOE Company. Notwithstanding that a CBOE Company has entered into an RSA with a regulatory services provider, such as FINRA or NFA, to provide regulatory services, the CBOE Company retains ultimate legal responsibility for, and control of, its self-regulatory responsibilities.

## **The Independence of the Regulatory Group**

No director or employee of any CBOE Company shall take any action that could, or reasonably might appear to represent an attempt to, interfere with the independent performance of the Regulatory Group’s regulatory functions or activities.

## **Communications Regarding Regulatory Matters**

Except as otherwise provided below, no director of any CBOE Company or any employee of a CBOE Company engaged in activities outside of the Regulatory Group shall engage in any communications with personnel of the Regulatory Group about any regulatory matter. Regulatory matters include regulatory investigations, examinations, inquiries or complaints either from or about a regulated entity or person concerning existing or anticipated regulatory actions and all investigative and surveillance activities of the Regulatory Group, and the planning and development of examination programs and surveillance procedures. Regulatory matters also include any regulatory investigation, examination, inquiry or complaint that is being investigated or brought by the SEC or by any other regulator. Regulatory matters do not include regulatory inquiries about a CBOE Company or its employees or representatives or activities related to

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<sup>1</sup> CBOE, C2, BZX, BYX, EDGA, and EDGX are self-regulatory organizations under the Securities and Exchange Act of 1934 (“Act”), and each is required to enforce compliance by its respective trading permit holders, permit holders and members and their associated persons with the provisions of the Act, the SEC’s rules and regulations, that exchange’s rules, and certain rules of the Federal Reserve Board and The Options Clearing Corporation. CFE is a designated contract market. SEF is a swap execution facility. Under the Commodity Exchange Act (“CEA”) CFE and SEF are required to enforce compliance by their respective trading privilege holders and participants and their related parties with the CEA, the regulations of the Commodity Futures Trading Commission, and, to the extent applicable, CFE’s rules, certain rules of the Federal Reserve Board, certain rules of The Options Clearing Corporation and the Act and rules and regulations promulgated pursuant to the Act.



potential legislation, rule-making or general regulatory policies that do not include specific facts about existing or anticipated regulatory investigations, examinations or actions.

As exceptions to this restriction, directors and non-Regulatory Group employees of a CBOE Company may discuss regulatory matters with Regulatory Group personnel to the extent such communications are:

- Initiated by the Regulatory Group personnel in order to obtain information reasonably necessary to carry out the Regulatory Group’s regulatory activities;
- For the purpose of alerting the Regulatory staff of the applicable CBOE Company to the existence of a possible regulatory violation;
- Between Regulatory Group personnel and members of the Regulatory Oversight and Compliance Committee or Regulatory Oversight Committee of a CBOE Company;
- Between Regulatory Group personnel and members of the CBOE Holdings, Inc. Audit Committee and Board in connection with their oversight of CBOE Holdings’ risk assessment and risk management, including risks related to CBOE Holdings’ compliance with laws, regulations, and its policies;<sup>1</sup>
- Between Regulatory Group personnel and directors of a CBOE Company to the extent the communication is relevant to the Board’s self-regulatory responsibilities;
- For the limited purpose of determining whether an application to become a trading permit holder should be approved or in connection with mandatory reporting obligations;
- For the limited purpose of conveying the final disposition of a regulatory matter;
- Between Regulatory Group personnel and a director of a CBOE Company concerning an appeal from a regulatory decision that the director is involved in deciding;
- Between Regulatory Group personnel and a director of a CBOE Company concerning a regulatory matter involving that director or a firm that employs that director; or
- Authorized by the Chief Regulatory Officer or General Counsel of the applicable CBOE Company.

Directors and employees of a CBOE Company may discuss issues concerning the management, budget and financial planning issues of the Regulatory Group with Regulatory Group personnel,

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<sup>1</sup> The Chief Regulatory Officer of the applicable CBOE Company will have direct access to the Audit Committee Chairperson to discuss matters related to oversight of CBOE Holdings’ risk assessment and risk management, including risks related to CBOE Holdings’ compliance with laws, regulations, and its policies.

provided that those communications do not include specific facts about existing or anticipated regulatory investigations, examinations or actions.

### **Responding To Communications Regarding Regulatory Matters**

Except as otherwise provided in this policy, no director or employee of any CBOE Company shall inform any Regulatory Group personnel about any issues, questions, concerns or complaints about a regulatory matter or issue raised by a trading permit holder of any CBOE Company or by any other person or entity.

Except as otherwise provided in this policy, if a regulated person or entity attempts to raise an issue, question, concern or complaint about a regulatory matter or issue related to that regulated person or entity with a director or with an employee of a CBOE Company who is not a member of the Regulatory Group, the response to such a communication shall be limited to advising the person or entity to raise the issue directly with the Chief Regulatory Officer, Deputy Chief Regulatory Officer, or Chief Regulatory Advisor of the applicable CBOE Company or to call the Regulatory Group's Regulatory Interpretations line for the applicable CBOE Company. Under no circumstances should any director or any employee who is not a member of the Regulatory Group provide any guidance or advice regarding a regulatory matter. Regulatory Group personnel shall follow the policies of the Regulatory Group regarding when it is appropriate to provide guidance or advice regarding regulatory matters.

### **Violations of the Policy**

Any violation of this policy shall be subject to appropriate disciplinary action, which may include the termination of employment.

Adopted October 17, 2012 (12-26). Amended August 13, 2013 (13-30); April 30, 2015 (15-09); December 9, 2015 (15-032); April 7, 2017 (17-009).

**XV. RESERVED**

Adopted January 1, 2015 (14-033). Amended May 4, 2015 (15-008). Deleted December 3, 2015 (15-030).

**XVI. RESERVED**

Adopted January 1, 2015 (14-034). Deleted December 3, 2015 (15-030).

## **XVII. Lead Market Maker Program for Weekly (Non-Standard) CBOE Volatility Index Futures Expirations**

Trading Privilege Holder (“TPH”) organizations may apply to the Exchange for appointment as a lead market maker (“LMM”) in the Lead Market Maker Program for Weekly (Non-Standard) CBOE Volatility Index Futures Expirations (“Program”). The specific CBOE Volatility Index (“VX”) futures covered by this Program are those contracts that have a “VX” ticker symbol followed by a number denoting the specific week of a calendar year. For symbology purposes, the first week of a calendar year is the first week of that year with a Wednesday on which a weekly VX futures contract could expire. The final settlement value of these contracts is calculated using P.M.-settled S&P 500 Index (“SPX”) options traded on CBOE, and these contracts are referred to as “Weekly (Non-Standard) VX expirations.” The Program does not apply to VX futures expirations that have a “VX” ticker symbol, for which the final settlement value is calculated using A.M.-settled SPX options.

The Exchange may approve up to two TPHs as LMMs in the Program. Any TPH that desires to apply for LMM status in the Program should submit an application in the form of a letter outlining the organization’s qualifications and commitments. TPHs shall be selected by the Exchange based on the Exchange’s judgment as to which applicants are most qualified to perform the functions of an LMM under the Program. Factors to be considered in making this selection may include, but are not limited to, satisfaction of the qualifications listed below as well as any one or more of the factors listed in Rule 515(b), as applied to LMM applicants instead of with respect to DPM applicants.

The following describes the qualifications, market performance benchmarks, benefits, and appointment term under the Program unless otherwise specified.

### **Qualifications**

- Experience in trading futures and/or options on volatility indexes.
- Ability to automatically and systemically provide quotations through the use of quotes or orders.

### **Market Performance Benchmarks**

- Each LMM shall identify in advance to the Exchange the login(s) through which the LMM will provide quotes to satisfy the market performance benchmarks under the Program. Each LMM is required to utilize Exchange self-trade prevention functionality under Rule 406A.
- Throughout each trading day during regular trading hours which are from 8:30 a.m. to 3:15 p.m. (Chicago time) in VX futures, each LMM shall provide at least 85% of the time 2-sided quotes with:

- a collective minimum size of 100 contracts on each side of the market aggregated across all Weekly (Non-Standard) VX expirations;
- a minimum size on each side of the market of 25 contracts in the front Weekly (Non-Standard) VX expiration; and
- a minimum size on each side of the market of 10 contracts in each of the other Weekly (Non-Standard) VX expirations.

The maximum width of these 2-sided quotes in all Weekly (Non-Standard) VX expirations shall be as set forth in the table below.

Price Range of Best Bid for Applicable Weekly (Non-Standard) VX Contract	Maximum Quote Width
0 – 16.00	\$0.20
16.01 – 24.00	\$0.40
24.01 – 32.00	\$0.60
32.01 – 40.00	\$0.80
40.01+	\$1.00

- The above market performance benchmarks shall be subject to relief in the event of a fast market in the VX futures or SPX options traded on CBOE or other extenuating circumstances or unusual market conditions to be determined solely by the Exchange. Under conditions as specified in the preceding sentence, each LMM shall use commercially reasonable efforts to provide a continuous quote and to respond to requests for a quote.
- Each LMM may satisfy the above market performance benchmarks relating to the provision of quotes through the equivalent provision of orders instead of quotes.
- The Exchange may terminate, place conditions upon or otherwise limit a TPH's appointment as an LMM under the Program or not make payments to a TPH under the Program if the TPH fails to satisfy the market performance benchmarks under the Program. However, failure of a TPH to satisfy the market performance benchmarks under the Program shall not be deemed a violation of Exchange rules.

## **Benefits**

### *Monthly Incentive Payment*

- Each TPH appointed as an LMM under the Program shall receive a payment from the Exchange in the amount of \$10,000 per calendar month for each calendar month during which the TPH acts as an LMM for Weekly (Non-Standard) VX expirations (“Monthly Incentive Payment”). If a TPH acts as an LMM for Weekly (Non-Standard) VX expirations during a portion of a calendar month, the payment to that TPH for that calendar month will be pro-rated.

- This Monthly Incentive Payment provision of the Program shall terminate if the average daily trading volume (“ADV”) in all Weekly (Non-Standard) VX expirations reaches 5,000 contracts during a calendar month. The termination of the Monthly Incentive Payment provision of the Program will occur at the end of the first calendar month in which the 5,000 ADV threshold is reached. Once the Monthly Incentive Payment provision is terminated, the Monthly Incentive Payment provision shall remain terminated, even if ADV in all Weekly (Non-Standard) VX expirations subsequently falls below the 5,000 ADV threshold in a subsequent calendar month.
- Monthly Incentive Payments to LMMs will be made following the end of the applicable calendar quarter. These payments will include any Monthly Incentive Payments accrued prior to the termination of the Monthly Incentive Payment provision of the Program, but not yet paid, if that termination has occurred during the applicable calendar quarter.

#### *Revenue Share*

- The Revenue Share provision of the Program shall begin to apply after the calendar month in which the 5,000 ADV threshold is reached and shall not apply before the termination of the Monthly Incentive Payment provision of the Program.
- For each calendar month during which the Revenue Share provision of the Program is applicable, the Exchange will maintain a revenue pool for any TPHs that acted as an LMM for Weekly (Non-Standard) VX expirations under the Program during that month. The revenue pool will be equal to 20% of the total transaction fees (excluding regulatory fees and Day Trade fee rebates) collected by the Exchange for transactions in Weekly (Non-Standard) VX expirations during that month. The revenue pool will be subject to a cap of \$200,000 per month and may not exceed the cap level for a calendar month.
- The revenue pool will be allocated on a pro-rata basis to the TPHs that acted as an LMM for Weekly (Non-Standard) VX expirations during the applicable calendar month based on the contract volume of those TPHs in Weekly (Non-Standard) VX expirations during that month resulting from quotes and proprietary orders provided by those LMMs.
- Payments from the revenue pool for a calendar month will be made to LMMs following the end of the applicable calendar quarter.
- The Revenue Share provision of the Program shall apply for no longer than 18 months. The Revenue Share provision of the Program will terminate at the end of the 18th calendar month in which that provision of the Program is applicable if that provision of the Program were to be applicable for 18 months during the term of the Program.

#### **Term**

The Program and each LMM appointment under the Program will expire on September 30, 2017. The Exchange may determine to extend the term of the Program and LMM

appointments under the Program, allow the Program and LMM appointments under the Program to expire, terminate the Program and all LMM appointments under the Program at any time or replace the Program with a different LMM program at any time.

Adopted July 23, 2015 (15-016). Amended September 4, 2015 (15-023); August 17, 2016 (16-013); July 1, 2017 (17-011).



## **XVIII. Disruptive Trading Practices (Rule 620)**

Rule 620 prohibits disruptive trading practices as described by the Rule. The following are a non-exclusive list of factors that the Exchange may consider in assessing whether conduct violates Rule 620.

### **A. Factors the Exchange may consider in assessing whether conduct violates Rule 620**

The Exchange may consider a variety of factors in assessing whether conduct violates Rule 620, including, but not limited to:

- whether the market participant's intent was to induce others to trade when they otherwise would not;
- whether the market participant's intent was to affect a price rather than to change the market participant's position;
- whether the market participant's intent was to create misleading market conditions;
- market conditions in the impacted market(s) and related markets;
- the effect on other market participants;
- the market participant's historical pattern of activity;
- the market participant's Order<sup>1</sup> entry and cancellation activity;
- the size of the Order(s) relative to market conditions at the time the Order(s) was placed;
- the size of the Order(s) relative to the market participant's position and/or capitalization;
- the number of Orders;
- the ability of the market participant to manage the risk associated with the Order(s) if fully executed;
- the duration for which the Order(s) is exposed to the market;
- the duration between, and frequency of, non-actionable messages;
- the queue position or priority of the Order in the order book;
- the prices of preceding and succeeding bids, offers, and trades;

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<sup>1</sup> For purposes of this Policy and Procedure, all references to Orders include Orders and quotes.

- the change in the best offer price, best bid price, last sale price, or other price (such as the Expected Opening Price (“EOP”)) that results from the entry of the Order; and
- the market participant’s activity in related markets.

**B. Meaning of the term “misleading” in the context of Rule 620(b)(ii)**

The language is intended to be a more specific statement of the general requirement that market participants are not permitted to act in violation of just and equitable principles of trade. This section of the Rule prohibits a market participant from entering Orders or messages with the intent of creating the false impression of market depth or market interest. The Exchange generally will find the requisite intent where the purpose of the participant’s conduct was, for example, to induce another market participant to engage in market activity.

**C. Specific amount of time an Order should be exposed to the market**

Although the amount of time an Order is exposed to the market may be a factor that is considered when determining whether the Order constituted a disruptive trading practice, there is no prescribed safe harbor. The Exchange will consider a variety of factors, including exposure time, to determine whether an Order or Orders constitute a disruptive practice.

**D. Modification or cancellation of an Order once it has been entered**

An Order, entered with the intent to execute a bona fide transaction, that is subsequently modified or cancelled due to a perceived change in circumstances does not constitute a violation of Rule 620.

**E. Orders entered by mistake**

An unintentional, accidental, or “fat-finger” Order will not constitute a violation of Rule 620, but such activity may be a violation of other Exchange rules, including, but not limited to, Rule 608 (Acts Detrimental to the Exchange; Acts Inconsistent with Just and Equitable Principles of Trade; Abusive Practices). Market participants are expected to take steps to mitigate the occurrence of errors, and their impact on the market. This is particularly true for entities that run algorithmic trading applications, or otherwise submit large numbers of automated Orders to the market.

**F. Partial fill of an Order**

While execution of an Order, in part or in full, may be one indication that an Order was entered in good faith, an execution does not automatically cause the Order to be considered compliant with Rule 620. Orders must be entered in an attempt to consummate a trade. A variety of factors may lead to a violative Order ultimately achieving an execution. The Exchange will consider a multitude of factors in assessing whether Rule 620 has been violated.

**G. Making a two-sided market with unequal quantities (e.g., 100 bid at 10 offered)**

Market participants are not precluded from making unequal markets as long as the Orders are entered for the purpose of executing bona fide transactions. If either (or both) Order(s) are entered with prohibited intent, including recklessness, such activity will constitute a violation of Rule 620.

**H. Stop Limit Orders entered for purposes of protecting a position**

Market participants may enter Stop Limit Orders as a means of minimizing potential losses with the hope that the Order will not be triggered. However, it must be the intent of the market participant that the Order will be executed if the specified condition is met. Such an order entry is not prohibited by this Rule.

**I. Entering Order(s) at various price levels throughout the order book in order to gain queue position and subsequently canceling those Orders as the market changes**

It is understood that market participants may want to achieve queue position at certain price levels, and given changing market conditions may wish to modify or cancel those Orders. In the absence of other indicia that the Orders were entered for disruptive purposes, they would not constitute a violation of Rule 620.

**J. “Actionable” and “non-actionable messages in relation to Rule 620(b)(ii), (iii), and (iv)**

Actionable messages are messages that can be accepted by another party or otherwise lead to the execution of a trade. An example of an actionable message is an Order message. Non-actionable messages are those messages submitted to the Exchange that relate to a non-actionable event. An example of a non-actionable message is a Request for Quote.

**K. The Exchange’s definition of “orderly conduct of trading or the fair execution of transactions”**

Whether a market participant intends to disrupt the orderly conduct of trading or the fair execution of transactions or demonstrates a reckless disregard for the orderly conduct of trading or the fair execution of transactions may be evaluated only in the context of the specific instrument, market conditions, and other circumstances present at the time in question. Some of the factors that may be considered in determining whether there was orderly conduct or the fair execution of transactions were described by the Commission as follows: “[A]n orderly market may be characterized by, among other things, parameters such as a rational relationship between consecutive prices, a strong correlation between price changes and the volume of trades, levels of volatility that do not dramatically reduce liquidity, accurate relationships between the price of a derivative and the underlying such as a physical commodity or financial instrument, and reasonable spreads between contracts for near months and for remote months.” Antidisruptive Practices Authority, 78 Fed. Reg. at 31,895-96. Volatility alone, however, will not be

presumptively interpreted as disorderly or disruptive as market volatility can be consistent with markets performing their price discovery function.

**L. Entering Orders that may be considered large for a particular market, and thus may have a potential impact on the market**

The size of an Order or cumulative Orders may be deemed to violate Rule 620 if the entry results in disorderliness in the markets, including, but not limited to, price or volume aberrations. Market participants should further be aware that the size of an Order may be deemed to violate Rule 620 if that Order distorts the integrity of the settlement prices. Accordingly, market participants should be cognizant of the market characteristics of the products they trade and ensure that their Order entry activity does not result in market disruptions. Exigent circumstances may be considered in determining whether a violation of Rule 620 has occurred and, if so, what the appropriate sanction should be for such violation.

**M. Meaning of the “closing period” in Rule 620**

“Closing period” typically refers to the period during which transactions, bids, and offers are reviewed for purposes of informing settlement price determinations.

**N. Factors the Exchange will consider in determining if an act was done with the prohibited intent or reckless disregard of the consequences**

Proof of intent is not limited to instances in which a market participant admits the market participant’s state of mind. Where the conduct was such that it more likely than not was intended to produce a prohibited disruptive consequence, intent may be found. Claims of ignorance, or lack of knowledge, are not acceptable defenses to intentional or reckless conduct. Recklessness has been commonly defined as conduct that “departs so far from the standards of ordinary care that it is very difficult to believe the actor was not aware of what he or she was doing.” See *Drexel Burnham Lambert, Inc. v. CFTC*, 850 F.2d 742, 748 (D.C. Cir. 1988).

**O. Orders entered for the purpose of igniting momentum in the market**

A “momentum ignition” strategy occurs when a market participant initiates a series of Orders or trades in an attempt to ignite a price movement in that market or a related market.

This conduct may be deemed to violate Rule 620 if it is determined the intent was to disrupt the orderly conduct of trading or the fair execution of transactions, if the conduct was reckless, or if the conduct distorted the integrity of the determination of settlement prices. Further, this activity may violate Rule 620(b)(i) if the momentum igniting Orders were intended to be canceled before execution, or if the Orders were intended to mislead others. If the conduct was intended to create artificially high or low prices, this may also constitute a violation of Rule 603 (Market Manipulation).

**P. “Flipping” Orders**

Flipping is defined as the entry of Orders or trades for the purpose of causing turns of the market and the creation of volatility and/or instability.

A “flip” Order typically has two main characteristics. First, it is an aggressor Order (i.e., an Order that takes liquidity). Second, shortly before the entry of the Order, the market participant cancels an Order(s) on the opposite side of the market, typically at the same price as the aggressor Order. The market participant, for example, has flipped from offering to bidding at the same price. The Exchange recognizes there are many variables that can cause a market participant to change that market participant’s perspective of the market. This Rule, therefore, does not prohibit a market participant from changing that market participant’s bias from short (long) to long (short).

Flipping activity may, however, be disruptive to the marketplace. For example, repeated instances of a market participant entering flipping Orders that are each large enough to turn the market (i.e., being of a sufficient quantity to sweep the entire quantity on the book at the particular price level and create a new best bid or best offer price with any remaining quantity from the aggressor flipping Order) can be disruptive to the orderly conduct of trading or the fair execution of transactions. In considering whether this conduct violates Rule 620, the Exchange would consider, among other factors:

- the impact on other market participants;
- price fluctuations;
- market conditions in the impacted market(s) and related markets;
- the participant’s activity in related markets;
- whether the flip involved the cancellation of a large sized Order(s) relative to the existing bid or offer depth; and
- whether repeated flipping turns the market back and forth (e.g., the first flip turns the market in favor of the offer (bid) and the second flip turns the market in favor of the bid (offer)).

**Q. Cancelling an Order via the Exchange’s Self-Trade Prevention functionality or other self-match prevention technology**

The means by which an Order is cancelled, in and of itself, is not an indicator of whether an Order violates Rule 620. The use of self-trade prevention functionality in a manner that causes a disruption to the market may constitute a violation of Rule 620. Further, if the resting Order that was cancelled was non-bona fide *ab initio*, it would be considered to have been entered in violation of Rule 620.

**R. Type of pre-open activity prohibited by Rule 620**

Orders entered during the pre-opening period and opening rotation period must be entered for the purpose of executing bona fide transactions upon the opening of the market.

The entry and cancellation of Orders during the pre-opening period and opening rotation period for the purpose of either manipulating the EOP or attempting to identify the depth of the order book at different price levels is prohibited and may be deemed a violation of Rule 620 or other rules.

Other activity related to the pre-opening period may also be considered disruptive, including but not limited to the entry of orders prior to the commencement of the pre-opening period in an attempt to “time” the price-time priority queue for Trade at Settlement (“TAS”) transactions, or other similar purposes. For example, during the time period between Exchange Business Days for a Contract, the entry into the CBOE System of a TAS Order in that Contract prior to the time at which the CBOE System disseminates the Pre-Opening Notice for that Contract under Rule 405B(a) is prohibited and may be deemed a violation of Rule 620, Rule 404A(c) or other rules. The CBOE System disseminates a Pre-Opening Notice for each TAS Contract expiration and spread, and the Pre-Opening Notice for a particular TAS Contract expiration or spread is the Pre-Opening Notice that establishes the time at which TAS Orders may be submitted for that particular TAS Contract expiration or spread.

**S. Orders entered into the CBOE System for the purpose of testing, such as to verify a connection to the CBOE System or a data feed from the CBOE System**

CFE provides a testing environment and test symbols in the CBOE System for Trading Privilege Holders to use for the purpose of testing. The entering of an Order(s) other than in a test environment or test symbol without the intent to execute a bona fide transaction, including for the purpose of verifying connectivity or checking a data feed, is not permissible. This prohibition does not preclude a market participant from entering a bona fide Order that is intended to be executed and where such execution may also serve some other risk management purpose, such as verifying the flow of the executed trades through the market participant’s back-office systems.

**T. Creation or execution of user-defined spreads for the purposes of deceiving or disadvantaging other market participants**

Trading Privilege Holders are not permitted to attempt to create any user-defined spreads (i.e., spreads created by Trading Privilege Holders on their own) in the CBOE System. If a Trading Privilege Holder would like a type of CFE spread to be created that is not already available in the CBOE System, the Trading Privilege Holder should contact the Help Desk to request creation of the spread.

Market participants are reminded that knowingly creating and/or trading spreads in a manner intended to deceive or unfairly disadvantage other market participants is considered a violation of Rule 620.

## U. Examples of Prohibited Activity

The following is a non-exhaustive list of various examples of conduct that may be found to violate Rule 620.

- A market participant enters one or more Orders to generate selling or buying interest in a specific contract. By entering the Orders, often in substantial size relative to the contract's overall pending order volume, the market participant creates a misleading and artificial appearance of buy- or sell-side pressure. The market participant places these large Orders at or near the best bid and offer prevailing in the market at the time. The market participant benefits from the market's reaction by either receiving an execution on an already resting Order on the opposite side of the book from the larger Order(s) or by obtaining an execution by entering an opposing side Order subsequent to the market's reaction. Once the smaller Orders are filled, the market participant cancels the large Orders that had been designed to create the false appearance of market activity. Placing a bona fide Order on one side of the market while entering Order(s) on the other side of the market without intention to trade those Orders violates Rule 620.
- A market participant places buy (or sell) Orders that the market participant intends to have executed, and then immediately enters numerous sell (or buy) Orders for the purpose of attracting interest to the resting Orders. The market participant placed these subsequent Orders to induce or trick other market participants to execute against the initial Order. Immediately after the execution against the resting Order, the market participant cancels the open Orders.
- A market participant enters one or more Orders in a particular market (Market A) to identify algorithmic activity in a related market (Market B). Knowing how the algorithm will react to order activity in Market A, the participant first enters an Order or Orders in Market B that the market participant anticipates would be filled opposite the algorithm when ignited. The participant then enters an Order or Orders in Market A for the purpose of igniting the algorithm and creating momentum in Market B. This results in the market participant's Order(s) in Market B being filled opposite the algorithm. This conduct violates Rule 620(b)(i), as the Orders in Market A were not intended to be executed, and Rule 620(b)(ii), as the Orders in Market A were intended to mislead participants in related markets. If the conduct resulted in a disruption to the orderly execution of transactions, it may also violate Rule 620(b)(iv).
- A market participant enters a large aggressor buy (sell) Order at the best offer (bid) price, trading opposite the resting sell (buy) Orders in the book, which results in the remainder of the original aggressor Order resting first in the queue at the new best bid (offer). As the market participant anticipated and intended, other participants join the market participant's best bid (offer) behind the market participant in the queue. The market participant then enters a large aggressor sell (buy) Order into the market participant's now resting buy (sell) Order at the top of the book. The market participant's use of CFE's Self-Trade Prevention functionality or other wash blocking functionality cancels

the market participant's resting buy (sell) Order, such that market participant's aggressor sell (buy) Order then trades opposite the Orders that joined and were behind the market participant's best bid (offer) in the book.

- A market participant places large quantity Orders during the pre-opening period in an effort to artificially increase or decrease the EOP with the intent to attract other market participants. Once others join the market participant's bid or offer, the market participant cancels the market participant's Orders shortly before the opening.
- During the pre-opening period, a market participant enters a large Order priced at a bid higher than the existing best bid or at an offer lower than the existing best offer, and continues to systematically enter successive Orders priced further through the book until it causes a movement in the best bid or best offer. These Orders are subsequently cancelled. The market participant continues to employ this strategy on both sides of the market for the purpose of determining the depth of support at a specific price level for the product before the market opens.
- A market participant enters a large number of messages for the purpose of overloading the quotation systems of other market participants with excessive market data messages to create "information arbitrage."
- A market participant enters messages for the purpose of creating latencies in the market or in information dissemination by the Exchange for the purpose of disrupting the orderly functioning of the market.

Adopted July 30, 2015 (15-020); amended June 13, 2016 (16-010).



**XIX. Submission Time Frames (Rule 402(c))**

All times referenced in this Policy and Procedure are Chicago time.

**A. CBOE Volatility Index (“VX”) Futures Submission Time Frames**

The time frames during which Trading Privilege Holders may submit quotes, orders, cancels, and order modifications (“modifications”) to the CBOE System for VX futures are set forth in the chart below.

<b>Time Frame</b>	<b>State of CFE’s Trading System</b>	<b>What May be Submitted to CFE’s Trading System</b>
4: 15 p.m.* to 5:00 p.m. (Sunday)	Pre-Opening Period (“Pre-Open”)	Quotes, orders, cancels and modifications.**
5:00 p.m. (Sunday) to 8:30 a.m. (Monday)	Extended Trading Hours	Quotes, orders, cancels and modifications.
8:30 a.m. to 3:15 p.m. (Monday – Friday)	Regular Trading Hours	Quotes, orders, cancels and modifications until 3:14:59 p.m. (submission cut off time).  After 3:15 p.m. all existing quotes are removed from the CBOE System.

3:15 p.m. to 3:29 p.m. (Monday – Thursday)	Closed	It may be possible for cancels to be submitted during portions of this time period.
3:15 p.m. (Friday) to 4:15 p.m. (Sunday)	Closed	Nothing, except that it may be possible for cancels to be submitted for some period of time after 3:15 p.m. on Friday and for some period of time before 4:15 p.m. on Sunday.

3:29 p.m.* to 3:30 p.m. (Monday – Thursday)	Pre-Open	Quotes, orders, cancels and modifications.**
3:30 p.m. (previous day) to 8:30 a.m. (Tuesday – Friday)	Extended Trading Hours	Quotes, orders, cancels and modifications.  Quotes, orders, cancels and modifications until 7:59:59 a.m. (submission cut-off time) in expiring VX future on its final settlement date
5:00 p.m. (Sunday) to 3:13 p.m. (Monday)	Extended and Regular Trading Hours for all types of Trade at Settlement ("TAS") transactions in VX futures	Quotes, orders, cancels and modifications until 3:12:59 p.m. (submission cut off time).
3:30 p.m. (previous day) to 3:13 p.m. (Tuesday – Friday)		After 3:13 p.m. all existing TAS quotes are removed from the CBOE System.  Permitted activity in Pre- Open states above is also applicable with respect to TAS quotes, orders, cancels and modifications.
Whenever trading in VX futures is halted	Halted	Orders, cancels and modifications.**  No quotes.

\* The pre-open state start times referenced are the times that the CBOE System commences its pre-opening process. Accordingly, the CBOE System may not be in a full pre-open state at exactly 4:15:00 p.m. on Sundays or at exactly 3:29:00 p.m. on Monday through Friday.

\*\*Quotes and/or orders permitted to be submitted to the CBOE System during these times are not executable until extended or regular trading hours next commence or open trading resumes following a trading halt.

**B. Submission Time Frames for All Exchange Contracts Other Than VX Futures**

The pre-open state for Exchange Contracts other than VX futures commences at 6:15 a.m. on each weekday. The pre-open state start time is the time that the CBOE System commences its pre-opening process. Accordingly, the CBOE System may not be in a full pre-open state at exactly 6:15:00 a.m. on Monday through Friday for Exchange Contracts other than VX futures.

The CBOE System accepts orders, quotes, cancels and modifications for Exchange Contracts other than VX futures during the pre-open state and during the respective trading hours for these Contracts until the applicable submission cut-off time (which is one second prior to the close of trading hours) in the applicable Contract. The trading hours for these Contracts are set forth in the contract specification rule chapter for the applicable Contract.

Additionally, cancels may generally be submitted in Exchange Contracts other than VX futures Monday through Thursday between 3:15 p.m. and 6:15 a.m. the following day and it may be possible for cancels to be submitted in these Contracts for some period of time after 3:15 p.m. on Friday and for some period of time before 4:15 p.m. on Sunday until 6:15 a.m. on Monday.

Orders, cancels and modifications may be submitted whenever trading in an Exchange Contract other than VX futures is halted. Quotes may not be submitted in a Contract other than VX futures when that Contract is halted.

Quotes and/or orders permitted to be submitted to the CBOE System during the pre-open state or a trading halt are not executable until trading hours next commence or open trading resumes following the trading halt.

**C. Submissions Made Prior to Applicable Pre-Open Start Times**

Quotes, orders and modifications that are received prior to the applicable pre-open state start time while the CBOE System is closed will be rejected. It is possible for cancels to be submitted during certain portions of time while the CBOE System is closed as described above. Otherwise, cancels received while the CBOE System is closed will be rejected.

Other Exchange rule provisions also address submissions prior to the start of a pre-open state, including without limitation, Rule 404A(c) and Policy and Procedure XVIII(R).

**D. Modified Trading Hours**

Trading hours may be modified or shortened in connection with a holiday or period of mourning. In those instances, the time frames for submission of quotes, orders, cancels and modifications will be modified accordingly.

**E. Opening Process**

Rule 405B contains additional provisions relating to the opening process for Exchange Contacts.

Adopted November 25, 2015 (15-028); amended May 29, 2016 (16-006).

## **XX. New Foreign Trader Incentive Program**

The purpose of the New Foreign Trader Incentive Program (“Program”) is to incentivize new traders associated with proprietary trading firms and trading arcades located in foreign jurisdictions to trade designated Exchange products and thus increase liquidity in those products to the benefit of all Exchange market participants.

### **Products**

- The Program is applicable with respect to the following products listed on the Exchange:
  - CBOE Volatility Index (“VX”) Futures; and
  - CBOE Russell 2000 Volatility Index (“VU”) Futures.

### **Eligibility**

- There is no limit on the number of participants in the Program.
- In order for a trader to participate in the Program, the trader must:
  - be a trader associated with a proprietary trading firm or trading arcade;
  - not have previously traded in any product listed on the Exchange;
  - have received training from the proprietary trading firm or trading arcade that includes an overview of the products listed on the Exchange;
  - agree to receive information from the Exchange and be contacted by Exchange representatives by phone, electronic mail, and postal mail;
  - submit to the Exchange any application form(s) and documentation required by the Exchange in connection with participation in the Program;
  - trade on the Exchange through facilities of the proprietary trading firm or trading arcade that are located in a foreign jurisdiction approved by the Exchange pursuant to Rule 305B and that proprietary trading firm or trading arcade must:
    - be located in a foreign jurisdiction approved by the Exchange pursuant to Rule 305B;
    - become effective as a Trading Privilege Holder on or after January 1, 2016 and not have been an effective Trading Privilege Holder prior to that date;

- remain effective as a Trading Privilege Holder during the time period that the trader participates in the Program;
  - submit to the Exchange any application form(s) and documentation required by the Exchange in connection with the trader's participation in the Program; and
  - not be affiliated with the Exchange.
- The Exchange shall select as Program participants those traders that satisfy the above eligibility criteria.
  - A trader shall be deemed to become a participant in the Program on the date of the first transaction in VX or VU futures by the trader's subaccount(s) with the proprietary trading firm or trading arcade following the trader's selection as a Program participant by the Exchange.
  - For purposes of the Program, a trading arcade is defined as a legal entity that provides a legal, risk management, and physical structure and trading facilities to traders who are owners, employees, contractors, or Authorized Traders of the entity in return for sharing of trading profits. The funds used for trading may be corporate pools of funds or commingled individual/corporate funds. All trading must be conducted in accounts of the trading arcade which are held in the name of the trading arcade. All funds contributed must be at risk of and subject to loss from any and all trading activity of the trading arcade. Thus, funds contributed by an individual trader are not only at risk and subject to loss from the individual's trading activity of the trading arcade account, but are at risk and subject to loss from any and all trading activity of the trading arcade.

### **Benefits**

- The Exchange will rebate transaction fees that satisfy all of the following criteria:
  - transaction fees in VX and VU futures,
  - excluding block trade and regulatory fees,
  - assessed for contract purchases and sales by the trader's subaccount(s) with the proprietary trading firm or trading arcade,
  - executed during the time period in which the trader is a participant in the Program,
  - for up to a maximum of 20,000 contracts,
  - subject to the limitations below.

- Contract purchases and sales by the trader's subaccount(s) must collectively total at least 3,000 contracts in VX and VU futures during a calendar quarter in order for the trader to remain a Program participant and for rebates to apply with respect to transactions in that calendar quarter. If this threshold is not met for a calendar quarter, rebates will not apply with respect to transactions in that calendar quarter and the trader will be removed from the Program. If a trader becomes a Program participant during a calendar quarter after the beginning of the calendar quarter, this threshold will not be applicable for that calendar quarter.
- Contract volume for purposes of the Program shall be measured per contract side.

### **Other Provisions**

- A trader participant in the Program is required to provide written notification to the Exchange in a form and manner prescribed by the Exchange of the subaccount(s) in which the trader will execute transactions in Exchange products under the Program. The application of rebates with respect to transactions by the subaccount of a trader participant in the Program begins on the date of receipt by the Exchange of written notification of that subaccount as specified above.
- Any subaccount identified by a trader for the application of rebates under the Program may not be used by any party other than that trader to execute transactions in Exchange products under the Program. Transactions made by any party other than that trader (such as that trader's firm or other traders) do not qualify for rebates or the satisfaction of the trading volume threshold under the Program in relation to that trader.
- A trader participant in the Program and that trader's firm shall provide any supplemental documentation requested by the Exchange to substantiate that transactions qualify for satisfaction of the trading volume threshold and rebates under the Program. Failure to promptly provide notice of any changes to information provided to the Exchange for purposes of the Program, including subaccount number changes and additions, and supplemental documentation requested by the Exchange may result in ineligibility for the applicable rebates.
- Rebates under the Program are made to the Clearing Member that was originally assessed the transaction fees for the qualifying transactions through the payment of the rebates to that Clearing Member.
- Rebates will be made following the end of the applicable calendar quarter. Rebates accrued but not yet paid prior to the expiration of the Program will be made on this schedule following the expiration of the Program.
- Each trader participant in the Program is required to utilize Exchange self-trade prevention functionality under Rule 406A.

- A trader participant in the Program is not eligible for the application of Day Trade fees for Exchange products under the Program during the time period in which that trader is a participant in the Program.

**Term**

The term of the Program shall expire on December 31, 2017. The Exchange may determine to allow the Program to expire, extend the term of the Program, or replace or modify the Program at any time.

Adopted January 1, 2016 (15-035); January 1, 2017 (16-018).



## **XXI. Foreign Independent Software Vendor Incentive Program**

The purpose of the Foreign Independent Software Vendor Incentive Program (“Program”) is to incentivize foreign Independent Software Vendors to provide connectivity to the Exchange and thus increase liquidity in Exchange products to the benefit all Exchange market participants.

### **Products**

- The Program is applicable with respect to all products listed on the Exchange.

### **Eligibility**

- The Program may have up to five participants.
- A Program participant must:
  - meet the definition of an Independent Software Vendor under the Rules of the Exchange;<sup>1</sup>
  - be organized under the laws of a foreign jurisdiction;
  - not be affiliated with the Exchange;
  - not have previously established connectivity to the CBOE System for trading purposes or the receipt of Exchange market data;<sup>2</sup>
  - submit to the Exchange between January 15, 2016 and February 28, 2016 a written request to participate the Program; and
  - complete an Exchange Customer Form and execute an Exchange Independent Software Vendor Market Data Agreement.
- The Exchange shall select as Program participants the first five foreign Independent Software Vendors that submit a written request to the Exchange to participate in the

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<sup>1</sup> Rule 302(f) provides that: An Independent Software Vendor is an organization that desires to provide or provides connectivity to the CBOE System on behalf of one or more Trading Privilege Holders and is not itself a Trading Privilege Holder.

<sup>2</sup> Rule 115 provides that: The term “CBOE System” means (i) the electronic systems administered by or on behalf of the Exchange which perform the functions set out in the Rules of the Exchange, including controlling, monitoring and recording trading on the Exchange and (ii) any connectivity to the foregoing electronic systems that is administered by or on behalf of the Exchange, such as a communications hub in a foreign jurisdiction.

Program between January 15, 2016 and February 28, 2016 and satisfy the above eligibility criteria.

- Each Program participant must establish full connectivity to the CBOE System for trading purposes and for the receipt of Exchange market data in a form and manner prescribed by the Exchange (“Full Connectivity”).

## **Benefits**

- For six consecutive calendar months (subject to the limitation below), a Program participant shall receive a payment from the Exchange in the amount of \$15,000 per calendar month for each of these calendar months during which the Program participant maintains Full Connectivity.
  - This six consecutive calendar month period shall commence:
    - with March 2016 for those Program participants that first establish and maintain Full Connectivity prior to March 1, 2016; and
    - with the first calendar month in which a Program participant first establishes and maintains Full Connectivity for those Program participants that first establish and maintain Full Connectivity on or after March 1, 2016.
  - A Program participant that first establishes and maintains Full Connectivity on or after March 1, 2016 shall be entitled to full payment for the first calendar month in which this occurs regardless of the date of that month on which the Program participant first establishes and maintains Full Connectivity.
- For the seventh through twelfth calendar months after the above six consecutive calendar month period (subject to the limitation below), the Program participant shall receive a payment from the Exchange in the amount of \$15,000 per calendar month for each of these calendar months during which:
  - the Program participant maintains Full Connectivity; and
  - the contract volume for transactions executed on the Exchange through the Program participant’s front-end system and connectivity to the Exchange by one or more Trading Privilege Holders totals 15,000 or more contracts for the month.
    - Contract volume for this purpose shall be measured per contract side.
    - If the requisite contract volume is not reached during one or more of these calendar months, the Program participant will continue to have the opportunity to reach the requisite contract volume in, and receive the

corresponding payment for, other calendar months during this six calendar month period.

- The above time periods are subject to the following limitation: No payment shall be made for any calendar month following the expiration of the Program even if a Program participant has not yet had the opportunity to accrue monthly payments under the Program for six consecutive calendar months of Full Connectivity and/or to accrue monthly payments based on Full Connectivity and contract volume for six calendar months.
- Monthly payments to Program participants will be made following the end of the applicable calendar month. Monthly payments accrued but not yet paid prior to the expiration of the Program will be made on this schedule following the expiration of the Program.

### **Other Provisions**

- Connectivity to the Exchange under the Program is governed by the Rules of the Exchange, including among other things, the requirements under Rule 302 that:
  - connectivity to the CBOE System established by an Independent Software Vendor may not be used by the Independent Software Vendor itself for its own trading activities; and
  - any Trading Privilege Holder that receives connectivity to the CBOE System through an Independent Software Vendor must do so through a separate connection and its own login(s) to the CBOE System that are not utilized by any other Trading Privilege Holder.
- Each Trading Privilege Holder that accesses the Exchange through a Program participant's front-end system and connectivity to the Exchange is required to utilize Exchange self-trade prevention functionality under Rule 406A.

### **Term**

The term of the Program shall be from January 15, 2016 through February 28, 2017. The Exchange may determine to allow the Program to expire, extend the term of the Program, or replace or modify the Program at any time.

Adopted January 15, 2016 (15-036).

## **XXII. New European Futures Commission Merchant Incentive Program**

The purpose of the New European Futures Commission Merchant Incentive Program (“Program”) is to incentivize new futures commission merchants (“FCMs”) and their customers located in European jurisdictions to trade designated Exchange products and thus increase liquidity in those products to the benefit of all Exchange market participants.

### **Products**

- The Program is applicable with respect to the following products listed on the Exchange:
  - CBOE Volatility Index (“VX”) Futures; and
  - CBOE Russell 2000 Volatility Index (“VU”) Futures.

### **Eligibility**

- The Program is limited to five FCM participants.
- In order for an FCM to participate in the Program, the FCM must:
  - be located in a European jurisdiction approved by the Exchange pursuant to Rule 305B;
  - submit to the Exchange any application form(s) and documentation required by the Exchange in connection with participation in the Program;
  - become effective as a Trading Privilege Holder on or after April 1, 2017 and not have been an effective Trading Privilege Holder prior to that date;
  - remain effective as a Trading Privilege Holder during the time period that the FCM participates in the Program; and
  - not be affiliated with the Exchange.
- The Exchange shall select as Program participants the first five FCMs that satisfy the above eligibility criteria.
- In order for a customer to participate in the Program, the customer must:
  - be a customer of an FCM participant in the Program;
  - be located in a European jurisdiction approved by the Exchange pursuant to Rule 305B;

- not have previously traded in any product listed on the Exchange;
- agree to receive information from the Exchange and be contacted by Exchange representatives by phone, electronic mail, and postal mail; and
- submit to the Exchange any application form(s) and documentation required by the Exchange in connection with participation in the Program.

**Benefits**

Transaction Fee Rebates

- The Exchange will issue a rebate in accordance with the table below with respect to transaction fees that satisfy all of the following criteria (“Qualifying Transaction Fees”):
  - customer transaction fees in VX and VU futures,
  - excluding block trade and regulatory fees,
  - assessed for contract purchases and sales during a calendar quarter for the designated subaccount(s) of a customer of an FCM participant in the Program with that FCM,
  - executed during a time period in which both the FCM and the customer are participants in the Program,
  - subject to the minimum quarterly volume threshold below.
- The rebate tiers in the table below apply with respect to the contract volume within the applicable tier.

Rebate Tier	Quarterly VX and VU Volume of a Customer Participant	Quarterly Rebate Per Contract
Tier 1	0 - 19,999	\$1.40
Tier 2	20,000 and above	\$0.40

- Contract purchases and sales for the designated subaccount(s) of a customer of an FCM participant in the Program with that FCM must collectively total at least 3,000 contracts in VX and VU futures during a calendar quarter in order for the customer to remain a Program participant and for rebates to apply with respect to transactions for that customer in that calendar quarter. If this threshold is not met for a calendar quarter, rebates will not apply with respect to transactions for that customer in that calendar quarter and the customer will be removed from the Program. If a customer becomes a Program participant during a calendar quarter after the beginning of the calendar quarter, this threshold will not be applicable for that calendar quarter.

- Contract volume for purposes of the Program shall be measured per contract side.

#### Market Data Redistribution Fee Waiver

- The Exchange will waive the Market Data Redistribution Fee for each participating FCM during the time period in which the FCM is a participant in the Program.

#### Other Provisions

- A customer participant in the Program is required to provide written notification to the Exchange in a form and manner prescribed by the Exchange of the subaccount(s) in which the customer will execute transactions in Exchange products under the Program. The application of rebates with respect to transactions for the subaccount of a customer participant in the Program begins on the date of receipt by the Exchange of written notification of that subaccount as specified above.
- Any subaccount identified by a customer for the application of rebates under the Program may not be used by any party other than that customer to execute transactions in Exchange products under the Program. Transactions made by any party other than the participating FCM on behalf of the customer do not qualify for rebates or the satisfaction of the trading volume threshold under the Program in relation to that customer.
- A customer participant in the Program and that customer's FCM shall provide any supplemental documentation requested by the Exchange to substantiate that transactions qualify for satisfaction of trading volume thresholds and rebates under the Program. Failure to promptly provide notice of any changes to information provided to the Exchange for purposes of the Program, including subaccount number changes and additions, and supplemental documentation requested by the Exchange may result in ineligibility for the applicable rebates.
- Rebates under the Program are made to the Clearing Member that was originally assessed the transaction fees for the qualifying transactions through the payment of the rebates to that Clearing Member.
- Rebates will be made following the end of the applicable calendar quarter. Rebates accrued but not yet paid prior to the expiration of the Program will be made on this schedule following the expiration of the Program.
- Each FCM participant in the Program will be assessed an administrative fee of:
  - \$200 per month for each customer of the FCM that is a participant in the Program which is not a proprietary trading firm and is not affiliated with a proprietary trading firm; and
  - \$2,000 per month for each customer of the FCM that is a participant in the

Program which is a proprietary trading firm or is affiliated with a proprietary trading firm.

- During the time period in which an FCM or customer is a participant in the Program, the FCM or customer is not eligible for the application of Day Trade fees for Exchange products under the Program, is not eligible to participate in the New Foreign Trader Incentive Program, and is not eligible to participate in the Foreign Proprietary Trading Firm Incentive Program.

**Term**

The term of the Program shall be from April 1, 2017 through December 31, 2017. The Exchange may determine to allow the Program to expire, extend the term of the Program, or replace or modify the Program at any time.

Adopted April 1, 2017 (17-006).

### **XXIII. Foreign Proprietary Trading Firm Incentive Program**

The purpose of the Foreign Proprietary Trading Firm Incentive Program (“Program”) is to incentivize proprietary trading firms located in foreign jurisdictions to trade designated Exchange products and thus increase liquidity in those products to the benefit of all Exchange market participants.

#### **Products**

- The Program is applicable with respect to the following products listed on the Exchange:
  - CBOE Volatility Index (“VX”) Futures; and
  - CBOE Russell 2000 Volatility Index (“VU”) Futures.

#### **Eligibility**

- There is no limit on the number of participants in the Program.
- In order for a proprietary trading firm to participate in the Program, the proprietary trading firm must:
  - agree to receive information from the Exchange and be contacted by Exchange representatives by phone, electronic mail, and postal mail;
  - submit to the Exchange any application form(s) and documentation required by the Exchange in connection with participation in the Program;
  - be located in a foreign jurisdiction approved by the Exchange pursuant to Rule 305B;
  - be an effective Trading Privilege Holder during the time period that the firm participates in the Program; and
  - not be affiliated with the Exchange.
- The Exchange shall select as Program participants those proprietary trading firms that satisfy the above eligibility criteria.

#### **Benefits**

- The Exchange will issue a rebate in accordance with the table below with respect to transaction fees that satisfy all of the following criteria (“Qualifying Transaction Fees”):
  - transaction fees in VX and VU futures,



- excluding block trade and regulatory fees,
- assessed for contract purchases and sales for the trading firm’s designated account(s) during a calendar month,
- executed during the time period in which the proprietary trading firm is a participant in the Program,

if the volume of VX and VU futures contracts traded for the trading firm’s designated account(s) during that calendar month meets or exceeds the applicable minimum volume thresholds for a rebate to be applicable.

- There are two minimum volume thresholds that must be satisfied during a calendar month in order for a rebate to be applicable for that calendar month:
  - a minimum threshold for total trading volume in VX and VU futures (inclusive of transactions during both regular trading hours and extended trading hours (“ETH”)), and
  - a minimum threshold for trading volume in VX and VU futures during ETH.
- If a rebate tier applies for a calendar month pursuant to the table below, the rebate percentage is applied to all Qualifying Transaction Fees during that calendar month and not just to transaction fees for transactions at or above the applicable volume thresholds. If more than one rebate tier is satisfied for a calendar month, the rebate tier with the highest rebate percentage is applied for that calendar month.

Rebate Tier	Minimum Monthly VX and VU Volume Threshold	Minimum Monthly VX and VU ETH Volume Threshold	Monthly Rebate Percentage
Tier 1	50,000	7,500	15%
Tier 2	80,000	10,000	30%
Tier 3	130,000	15,000	45%

- Contract volume for purposes of the Program shall be measured per contract side.
- If a participating proprietary trading firm does not meet the minimum volume thresholds for a rebate to be applicable for a calendar month, the firm will remain a participant in the Program and remain eligible to generate rebates for subsequent calendar months during the term of the Program if the firm meets minimum volume thresholds during those subsequent calendar months.

**Other Provisions**

- A proprietary trading firm participant in the Program is required to provide written notification to the Exchange in a form and manner prescribed by the Exchange of the account(s) in which the proprietary trading firm will execute transactions in Exchange products under the Program. The application of rebates with respect to transactions by the account of a proprietary trading firm participant in the Program begins on the date of receipt by the Exchange of written notification of that account as specified above.
- Any account identified by a proprietary trading firm for the application of rebates under the Program may not be used by any party other than that proprietary trading firm to execute transactions in Exchange products under the Program. Transactions made by any party other than the proprietary trading firm do not qualify for rebates or the satisfaction of the trading volume threshold under the Program in relation to that proprietary trading firm.
- A proprietary trading firm participant in the Program shall provide any supplemental documentation requested by the Exchange to substantiate that transactions qualify for satisfaction of the trading volume threshold and rebates under the Program. Failure to promptly provide notice of any changes to information provided to the Exchange for purposes of the Program, including account number changes and additions, and supplemental documentation requested by the Exchange may result in ineligibility for the applicable rebates.
- Rebates under the Program are made to the Clearing Member that was originally assessed the transaction fees for the qualifying transactions through the payment of the rebates to that Clearing Member.
- Rebates will be made following the end of the applicable calendar month.
- Each proprietary trading firm participant in the Program will be assessed an administrative fee of \$100.00 per month for each calendar month during which the firm is a participant in the Program.
- Each proprietary trading firm participant in the Program is required to utilize Exchange self-trade prevention functionality under Rule 406A.
- During the time period in which a proprietary trading firm is a participant in the Program, the firm and its Authorized Traders are not eligible for the application of Day Trade fees for Exchange products under the Program, are not eligible to participate in the New European Futures Commission Merchant Incentive Program and are not eligible to participate in the Southern Hemisphere New Foreign Proprietary Trading Firm Incentive Program.

## **Term**

The term of the Program shall be from April 1, 2017 through December 31, 2017. The Exchange may determine to allow the Program to expire, extend the term of the Program, or replace or modify the Program at any time.

Adopted April 1, 2017 (17-007).

## **XXIV. Southern Hemisphere New Proprietary Trading Firm Incentive Program**

The purpose of the Southern Hemisphere New Proprietary Trading Firm Incentive Program (“Program”) is to incentivize new proprietary trading firms located in the Southern Hemisphere to trade designated Exchange products and thus increase liquidity in those products to the benefit of all Exchange market participants.

### **Products**

- The Program is applicable with respect to the following products listed on the Exchange:
  - CBOE Volatility Index (“VX”) Futures; and
  - CBOE Russell 2000 Volatility Index (“VU”) Futures.

### **Eligibility**

- The Program is limited to five eligible proprietary trading firms.
- In order for a proprietary trading firm to participate in the Program, the firm must:
  - not have previously traded in any product listed on the Exchange;
  - agree to receive information from the Exchange and be contacted by Exchange representatives by phone, electronic mail, and postal mail;
  - submit to the Exchange any application form(s) and documentation required by the Exchange in connection with participation in the Program;
  - be located in a jurisdiction in the Southern Hemisphere approved by the Exchange pursuant to Rule 305B;
  - become effective as a Trading Privilege Holder on or after April 1, 2017 and not have been an effective Trading Privilege Holder prior to that date;
  - remain effective as a Trading Privilege Holder during the time period that the firm participates in the Program;
  - not be affiliated with the Exchange.
- The Exchange shall select as Program participants the first five proprietary trading firms that satisfy the above eligibility criteria.

### **Benefits**

Transaction Fee Rebates

- The Exchange will issue a rebate in accordance with the table below with respect to transaction fees that satisfy all of the following criteria (“Qualifying Transaction Fees”):
  - transaction fees in VX and VU futures,
  - excluding block trade and regulatory fees,
  - assessed for contract purchases and sales for the trading firm’s designated account(s) during a calendar month,
  - executed during the time period in which the proprietary trading firm is a participant in the Program,

if the volume of VX and VU futures contracts traded for the trading firm’s designated account(s) during that calendar month meets or exceeds the applicable minimum volume thresholds for a rebate to be applicable.

- There are two minimum volume thresholds that must be satisfied during a calendar month in order for a rebate to be applicable for that calendar month:
  - a minimum threshold for total trading volume in VX and VU futures (inclusive of transactions during both regular trading hours and extended trading hours (“ETH”)), and
  - a minimum threshold for trading volume in VX and VU futures during ETH.
- If a rebate tier applies for a calendar month pursuant to the table below, the rebate percentage is applied to all Qualifying Transaction Fees during that calendar month and not just to transaction fees for transactions at or above the applicable volume thresholds. If more than one rebate tier is satisfied for a calendar month, the rebate tier with the highest rebate percentage is applied for that calendar month.

Rebate Tier	Minimum Monthly VX and VU Volume Threshold	Minimum Monthly VX and VU ETH Volume Threshold	Monthly Rebate Percentage
Tier 1	50,000	10,000	15%
Tier 2	80,000	20,000	30%
Tier 3	130,000	40,000	45%

- Contract volume for purposes of the Program shall be measured per contract side.
- If a participating proprietary trading firm does not meet the minimum volume thresholds for a rebate to be applicable for a calendar month, the firm will remain a participant in the Program and remain eligible to generate rebates for subsequent calendar months during the term of the Program if the firm meets minimum volume thresholds during those

subsequent calendar months.

- Any contract volume for which a rebate is applicable under another Exchange incentive program may not be used to satisfy the minimum volume thresholds or to generate a rebate under this Program.

#### Historical Market Data Fee Waiver

- The Exchange will provide three months of VX futures historical market data to each participating proprietary trading firm at no cost.

#### Trading Permit Fee Waiver

- The Exchange will waive the Annual Trading Permit Fee during 2017 for each participating proprietary trading firm.

#### Connectivity Fee Waiver

- The Exchange will waive the Market Data Connectivity Fee for CFE data for the first six months during which a proprietary trading firm participates in the Program.

### **Other Provisions**

- A proprietary trading firm participant in the Program is required to provide written notification to the Exchange in a form and manner prescribed by the Exchange of the account(s) in which the firm will execute transactions in Exchange products under the Program. The application of rebates with respect to transactions by an account of a proprietary trading firm participant in the Program begins on the date of receipt by the Exchange of written notification of that account as specified above.
- Any account identified by a proprietary trading firm for the application of rebates under the Program may not be used by any party other than that proprietary trading firm to execute transactions in Exchange products under the Program. Transactions made by any party other than the proprietary trading firm do not qualify for rebates or the satisfaction of the trading volume threshold under the Program in relation to that proprietary trading firm.
- A proprietary trading firm participant in the Program shall provide any supplemental documentation requested by the Exchange to substantiate that transactions qualify for satisfaction of the trading volume threshold and rebates under the Program. Failure to promptly provide notice of any changes to information provided to the Exchange for purposes of the Program, including account number changes and additions, and supplemental documentation requested by the Exchange may result in ineligibility for the applicable rebates.

- Rebates under the Program are made to the Clearing Member that was originally assessed the transaction fees for the qualifying transactions through the payment of the rebates to that Clearing Member.
- Rebates will be made following the end of the applicable calendar month.
- Each proprietary trading firm participant in the Program is required to utilize Exchange self-trade prevention functionality under Rule 406A.
- During the time period in which a proprietary trading firm is a participant in the Program, the firm and its Authorized Traders are not eligible for the application of Day Trade fees for Exchange products under the Program, are not eligible to participate in the New European Futures Commission Merchant Incentive Program and are not eligible to participate in the Foreign Proprietary Trading Firm Incentive Program.

### **Term**

The term of the Program shall be from April 1, 2017 through December 31, 2017. The Exchange may determine to allow the Program to expire, extend the term of the Program, or replace or modify the Program at any time.

Adopted April 1, 2017 (17-008).