Regulatory Circular RG12-106

To: Trading Permit Holders
From: Finance and Administration
Date: July 31, 2012
Re: August 2012 Fee Changes

This circular explains August 2012 changes to the Fees Schedule for Chicago Board Options Exchange, Inc. (the "Exchange" or "CBOE").

Options Regulatory Fee

Effective August 1, 2012, the Exchange is increasing the Options Regulatory Fee ("ORF") from $.0045 to $.0065 per option contract and the Exchange will apply the ORF to Linkage orders.

The ORF is assessed by CBOE to each Trading Permit Holder ("TPH") for all options transactions executed or cleared by the TPH that are cleared by OCC in the customer range, regardless of the exchange on which the transaction occurs. The fee is collected indirectly from Trading Permit Holders through their clearing firms by OCC on behalf of CBOE.

Customer Large Trade Discount

Currently, VIX regular public customer transaction fees are charged only on the first 10,000 VIX contracts per order. CBOE is amending the customer large trade discount for VIX to provide that for any executing TPH whose affiliate is the issuer of one or more securities that are based on or track the performance of the VIX index, and for which the combined total asset value is $1 billion or greater, regular customer VIX transaction fees will only be charged up to the first 7,500 VIX options contracts per order in that month.

As a result of this change, effective August 1, 2012, regular customer transaction fee will only be charged up to the following quantity of contracts per order, for the following options:

- SPX –charge only the first 10,000 contracts
- VIX –charge only the first 10,000 contracts*
- Other index options –charge only the first 5,000 contracts
- ETF, ETN and HOLDRs options –charge only the first 3,000 contracts

* For any executing Trading Permit Holder whose affiliate is the issuer of one or more securities, the combined total asset value of which is $1 billion or greater, that are based on or track the performance of the VIX index, and for which the combined total asset value is $1 billion or greater, regular customer VIX transaction fees will only be charged up to the first 7,500 VIX options contracts per order in that month.

Marketing Fee

Currently, the Marketing Fee assessed on Penny Pilot Exchange-Traded Fund options is $0.25 per contract, with the exception of DIA, for which the Marketing Fee is $0.10 per contract. Effective

August 1, 2012, DIA will be assessed the same $.25 per contract marketing fee as all other Penny Pilot Exchange Traded Fund options.

Currently, complex order transactions in SPY and QQQ made via the Exchange's Complex Order Auction ("COA") and Complex Order Book ("COB") do not incur the Marketing Fee. Effective August 1, 2012, the Exchange will assess the Marketing Fee on such transactions (with the exception of complex orders that trade against individual leg markets either via COB or at the conclusion of a COA).

Effective August 1, 2012, the Exchange is eliminating the XSP Marketing Fee.

As a result of these changes, Marketing Fees as of August 1, 2012 are as follows:

MARKETING FEE [(1)] …………………………………………………….... $.65

- Penny Pilot Classes
  - Equity Options…………………………………………………... $.25
  - ETF, ETN and HOLDRs Options…………………………………. $.25
  - SPY and QQQ……………………………………………………… $.25*

* The marketing fee will not be assessed on electronic transactions in SPY and QQQ, except for electronic transactions resulting from AIM and complex orders that trade via COA or COB (excluding complex orders that trade against individual leg markets either via COB or at the conclusion of a COA, on which the marketing fee will not be assessed). The marketing fee will continue to be assessed on open outcry transactions in SPY and QQQ.

The complete CBOE Fees Schedule is posted at:
http://www.cboe.com/publish/feeschedule/CBOEFeeSchedule.pdf

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[(1)] The marketing fee will be assessed only on transactions of Market-Makers, e-DPMs, and DPMs, resulting from (i) customer orders from payment accepting firms, or (ii) customer orders that have designated a "Preferred Market-Maker" under CBOE Rule 8.13 at the per contract rate provided above on all classes of equity options, options on HOLDRs, options on ETFs, options on ETNs and index options; except that the marketing fee shall not apply to DJX, OEX, SPX, VIX, XEO, VOLATILITY INDEXES, binary options, credit default options, and credit default basket options. The fee will not apply to: Market-Maker-to-Market-Maker transactions including transactions resulting from orders from non-Trading Permit Holder market-makers; transactions resulting from accommodation liquidations (cabinet trades); transactions in Flexible Exchange Options; transactions resulting from any of the strategies identified and/or defined in footnote 13 of this Fees Schedule; transactions executed as a qualified contingent cross ("QCC") under Rule 6.53(u); and transactions in the Penny Pilot classes resulting from orders executed through the Hybrid Agency Liaison under Rule 6.14. A Preferred Market-Maker will only be given access to the marketing fee funds generated from a Preferred order if the Preferred Market-Maker has an appointment in the class in which the Preferred order is received and executed.

Rebate/Carryover Process. If less than 80% of the marketing fee funds collected in a given month is paid out by the DPM or Preferred Market-Maker in a given month, then the Exchange would refund such surplus at the end of the month on a pro rata basis based upon contributions made by the Market-Makers, e-DPMs, and DPMs in that month. However, if 80% or more of the funds collected in a given month is paid out by the DPM or Preferred Market-Maker, there will not be a rebate for that month unless the DPM or Preferred Market-Maker elects to have funds rebated. In the absence of such election, any excess funds will be included in an Excess Pool of funds to be used by the DPM or Preferred Market-Maker in subsequent months. The total balance of the Excess Pool of funds for a DPM or a Preferred Market-Maker cannot exceed $100,000. If in any month the Excess Pool balance were to exceed $100,000, the funds in excess of $100,000 would be refunded on a pro rata basis based upon contributions made by the Market-Makers, DPMs, and e-DPMs in that month. In addition, in any month, a DPM or a Preferred Market-Maker can elect to have any funds in its Excess Pool refunded on a pro rata basis based upon contributions made by the Market-Makers, DPMs, and e-DPMS in that month.

Each month, the Exchange assesses an administrative fee of .45% on the total amount of the funds collected each month; provided, however, that beginning on October 1, 2007, no Market-Maker, e-DPM or DPM would contribute more than 15% of the total amount of funds raised by the .45% administrative fee.