

Regulatory Circular RG14-009**Date:** January 21, 2014**To:** Trading Permit Holders**From:** Market-Maker and DPM Administration Department**RE:** Quarterly Rebalance of Option Class Tiers

Per CBOE Rule 8.3(c)(iv), the Exchange rebalances the option class appointment cost tiers every calendar quarter based on national average daily volume (ADV), excluding the “AA” tier, which may result in additions or deletions to each tier’s composition. When a class changes tiers, it is assigned the appointment cost of the new tier. Each Market-Maker or Market Maker affiliated firm is able to select their class appointment(s) using these tier costs, and is required to hold the appropriate number of Trading Permits reflecting the total appointment costs of the Hybrid classes constituting the Market-Maker’s appointment. Each Market Maker Trading Permit has an appointment credit of 1.0. A Market-Maker may hold any combination of Hybrid classes and Hybrid 3.0 classes whose aggregate appointment cost does not exceed the total appointment credits they possess by virtue of the number of Market Maker Trading Permits they hold. Each tier rebalancing takes effect on the first business day of the second calendar month following the end of the calendar quarter (i.e. the rebalancing using 4th quarter 2013 data takes effect the first business day of February 2014.)

Pursuant to SR-CBOE-2013-109 (as approved by the SEC), beginning with the February 2014 effective date, if a Market-Maker or Market Maker affiliated firm holds a combination of appointments whose aggregate revised appointment cost is greater than the net appointment credits they hold, the Market-Maker or Market Maker affiliated firm will automatically be assigned as many Market Maker Trading Permits as necessary to ensure that they no longer hold a combination of appointments whose aggregate revised appointment cost is greater than their net appointment credits. Market-Makers and/or Market Maker affiliated firms will have until 3:30 pm CST on the last business day prior to the rebalance taking effect in order to adjust their appointments and/or number of Market Maker Trading Permits as necessary so that their aggregate appointment cost is equal to or less than their net appointment credits. Otherwise, the Exchange will automatically issue to that Market Maker or Market Maker affiliated firms the requisite number of Market Maker Trading Permits to meet this standard, and they will be billed accordingly. The cancellation policy for Market Maker Trading Permits will also continue to apply.

Additional Information:

Please see rule filing SR-CBOE-2013-109¹ or contact Allison Kile at (312) 786-7210 or kilea@cboe.com for additional information.

¹ Available at <http://www.cboe.com/aboutCBOE/legal/SubmittedSECFilings.aspx>