

CBOE FUTURES EXCHANGE, LLC

Policies and Procedures^{*}

Revised as of December 8, 2009

^{*} 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, even if established by a pair of unrelated bids and offers for a quantity that is less than that required for purposes of any quote requirements applicable to market makers, then the CBOE System will match any Market Order against resting Orders for such Contract at the best price then available, followed by Orders 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, send a request for quote (“RFQ”) to market makers then providing quotes for such Contract and send a notice to the Person that placed such Market Order about the Order status.

(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 specified by the Exchange, the spread between the best available bid and offer for the relevant Contract narrows to a specified percentage (as determined by the Exchange) of 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, send another RFQ to the market makers then providing quotes for such Contract, and send a notice to the Person that placed such Market Order about the Order status.

(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 a specified percentage (as determined by the Exchange) of the market makers 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 specified by the Exchange 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, send another RFQ to the market makers then providing quotes for such Contract and send a notice to the Person that placed such Market Order about the Order status.

(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:

(A) 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; or

(B) If the average price referred to in subclause (A) above is not a Threshold Width price, then at the Threshold Width price that is closest to such average price and to the last trade price for the relevant Contract.

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 specified by the Exchange, then the CBOE System will continue to hold the Market Order in question, repeat the RFQ cycle, send a notice to the Person that placed such Market Order and send an alert message to the Help Desk so that the Help Desk may solicit quotes from the market makers then providing quotes for such Contract.

(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.

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

(c) A Trading Privilege Holder or Authorized Trader may, at any time after submitting a Spread Order, change the net price, the multiplier or quantity of the spread, the time in force and any contingency; *provided* that any increase (but not a decrease) in the multiplier or quantity shall affect the priority position of such Spread Order.

(d) A Spread Order may be executed only if (i) each of its legs is within the Threshold Width for the relevant Contract and (ii) only one of its legs trades at a price ahead of Orders then resting in the CBOE System.

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

(i) Disseminate to the Person that placed such Spread Order a fill report for the spread in its entirety, but not for the individual legs;

(ii) Disseminate to the designated back office fill reports for the individual legs; 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.

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 an 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 an 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 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.

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).

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:

(i) (A) a bid and offer price exist in the relevant Contract at the time of entry of the first Order, or

(B) if no bid or offer price exist in the relevant Contract, a request for quote ("RFQ") must first be sent that includes the size of the Orders, and the first Order may not be entered until a designated period of time has elapsed following the time that the RFQ is sent ("RFQ Response Period"); and

(ii) 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 and RFQ Response 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. 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).

V. **Emergency and Physical Emergency Delegations and Procedures (Rules 132 and 418)**

A. *Specific Emergency and Physical Emergency Delegations*

1. *Emergency Delegations*

Rule 132 defines the term “Emergency” and provides a non-exclusive list of circumstances that may constitute an Emergency.

Rule 418(a) grants the President the authority to determine 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 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 President has designated and the Board has authorized the following additional individuals 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.

Rule	Emergency Actions	Emergency Delegations
418(a)(i)	Limiting trading to liquidation only, in whole or in part	<ul style="list-style-type: none"> • Managing Director
418(a)(ii)	Extending or shortening, as applicable, the Expiration Date or Expiration Month of any Contract	<ul style="list-style-type: none"> • Managing Director
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"> • Managing Director
418(a)(iv)	Imposing or modifying position or price limits with respect to any Contract	<ul style="list-style-type: none"> • Managing Director
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"> • Managing Director

Rule	Emergency Actions	Emergency Delegations
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"> • Managing Director
418(a)(vii)	Extending, limiting or changing hours of trading	<ul style="list-style-type: none"> • Managing Director or • Head of Trading Operations Division
418(a)(viii)	Declaring a fast market in a Contract	<ul style="list-style-type: none"> • Managing Director or • Head of Trading Operations Division or • Senior Person in Charge of Help Desk
418(a)(ix)	Temporarily Increasing the Threshold Width for a Contract	<ul style="list-style-type: none"> • Managing Director or • Head of Trading Operations Division or • Senior Person in Charge of Help Desk
418(a)(x)	Suspending or curtailing trading in any or all Contracts (<i>e.g.</i> , a trading halt)	<ul style="list-style-type: none"> • Managing Director or • Head of Trading Operations Division or • Senior Person in Charge of Help Desk
418(a)(x)	Modifying circuit breakers	<ul style="list-style-type: none"> • Managing Director
418(a)(xi)	Requiring Clearing Members, Trading Privilege Holders or Customers to meet special margin requirements	<ul style="list-style-type: none"> • Managing Director or • Chief Regulatory Officer

Rule	Emergency Actions	Emergency Delegations
418(a)(xii)	Suspending any provision of the Rules of the Exchange or the Rules of the Clearing Corporation	<ul style="list-style-type: none"> • Managing Director or • Chief Regulatory Officer
418(a)(xii)	Modifying any provisions of the Rules of the Exchange or the Rules of the Clearing Corporation	<ul style="list-style-type: none"> • Managing Director

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 the authority to determine 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 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 President has designated and the Board has authorized the following additional individuals 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.

Rule	Physical Emergency Actions	Physical Emergency Delegations
418(b)	Delaying the opening of trading in one or more Contracts	<ul style="list-style-type: none"> • Managing Director or • Head of Trading Operations Division or • Senior Person in Charge of Help Desk

Rule	Physical Emergency Actions	Physical Emergency Delegations
418(b)	Suspending trading in one or more Contracts (<i>e.g.</i> , a trading halt)	<ul style="list-style-type: none"> • Managing Director or • Head of Trading Operations Division or • Senior Person in Charge of Help Desk
418(b)	Extending trading hours for one or more Contracts	<ul style="list-style-type: none"> • Managing Director or • Head of Trading Operations Division
418(b)	Closing the Exchange	<ul style="list-style-type: none"> • Managing Director

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).

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 member 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.

Each TPH Permit entitles its holder to access the CBOE System through one login code. To the extent that a Trading Privilege Holder desires to use more than one login code, the Trading Privilege Holder must obtain additional TPH Permits from the Exchange.

The Exchange may from time to time determine to limit the amount of CFE bandwidth that may be utilized through each TPH Permit.

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.

A TPH Permit is non-transferable and non-assignable, except in connection with a transfer, assignment, sale, or lease of a CBOE membership pursuant to Rule 302. 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.

All TPH Permits shall expire on December 31, 2010. The Exchange may determine to extend the term of TPH Permits or allow TPH Permits to expire and replace the TPH Permit program with a different permit program.

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).

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 \$0.20 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 \$0.20 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 181st 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.

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.

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).

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) The market price per share of the underlying security has not closed below \$3.00 on the previous trading day to the Expiration Day of the nearest expiring Contract on the underlying security. The market price per share of the underlying security will be measured by the closing price reported in the primary market in which the underlying security traded.

Requirement (v) as Applied to Restructure Securities:

If a Restructure Security is approved for Security Futures product trading under the initial listing standards in Section A, the market price history of the Original Equity Security prior to the commencement of trading in the Restructure Security, including “when-issued” trading, may be taken into account in determining whether this requirement is satisfied.

- (vi) 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:
 - (i) The issuer of the underlying security satisfies applicable Exchange Act reporting requirements, or corrects any failure within 30 days after the date the report was due to be filed; and
 - (ii) 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.

Adopted July 26, 2005 (05-20).

IX. Mini CBOE Volatility Index Futures Market Maker Program

Trading Privilege Holders ("TPHs") may apply to the Exchange for appointment as a market maker in the Mini CBOE Volatility Index ("Mini VIX") futures contract. Any TPH that desires to apply for market maker status should submit an application in the form of a letter outlining the organization's qualifications and commitments.

The Exchange may approve up to five TPHs as market makers in the Mini VIX futures contract under the Program. 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 a market maker 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 market maker applicants instead of with respect to DPM applicants.

The following describes the qualifications, obligation, benefits, and appointment term under the Mini VIX Futures Market Maker Program unless otherwise specified.

Qualifications

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

Obligation

- Upon request by the Exchange, provide a 2-sided quote for a minimum of 20 contracts within a maximum width of \$0.50 in any designated Mini VIX futures contract month(s).

The Exchange may terminate, place conditions upon, or otherwise limit a TPH's appointment as a market maker under the Program if the TPH fails to perform its obligation under the Program. However, failure of a TPH to comply with its obligation under the Program shall not be deemed a violation of Exchange rules.

Benefits

- For the first six months after a TPH is appointed as a market maker under the Program, a rebate of all transaction fees for all Mini VIX futures trades resulting from quotes provided by the TPH pursuant to the TPH's obligation under the Program or otherwise.
- After six months following the appointment of a TPH as a market maker under the Program, a rebate of 50% of all transaction fees for all Mini VIX futures trades resulting from quotes provided by the TPH pursuant to the TPH's obligation under the Program or otherwise.

These benefits are limited to Mini VIX futures trades resulting from quotes submitted by the TPH and shall not apply to Mini VIX futures trades resulting from orders submitted by the TPH.

Term

- The Program and each market maker appointment under the Program will expire on December 31, 2010. The Exchange may determine to extend the term of the Program and market maker appointments under the Program, allow the Program and market maker appointments under the Program to expire, terminate the Program and all market maker appointments under the Program at any time or replace the Program with a different market-maker program at any time

Adopted October 28, 2005 (05-30). Deleted July 5, 2006 (06-11). Readopted March 2, 2009 (09-07). Amended September 2, 2009 (09-15).