CBOE Holdings, Inc.
Form 10-K
February 20, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014
or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission File No. 001-34774
CBOE HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	20-5446972 (I.R.S. Employer Identification Number)
400 South LaSalle Street Chicago, Illinois (Address of principal executive offices)	60605 (Zip Code)

Registrant's telephone number, including area code
(312) 786-5600
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Unrestricted Common Stock, par value $0.01 per share	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (of for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No ý

As of June 30, 2014, the aggregate market value of the Registrant's outstanding voting common equity held by non-affiliates was approximately $4.2 billion based on the closing price of $49.21 per share of unrestricted common stock.

The number of outstanding shares of the registrant's common stock as of February 11, 2015 was 84,003,241 shares of unrestricted common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Documents	Form 10-K Reference
Portions of the Company's Proxy Statement for the 2015 Annual Meeting of Stockholders	Part III

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CERTAIN DEFINED TERMS

Throughout this document, unless otherwise specified or the context so requires:

- "CBOE Holdings," "we," "us," "our" or "the Company" refers to CBOE Holdings, Inc. and its subsidiaries.
- "CBOE" refers to (1) prior to the completion of the restructuring transaction, Chicago Board Options Exchange, Incorporated, a Delaware non-stock corporation, and (2) after the completion of the restructuring transaction, Chicago Board Options Exchange, Incorporated, a Delaware stock corporation. CBOE became a wholly-owned subsidiary of CBOE Holdings, Inc. on June 18, 2010.
- "C2" refers to C2 Options Exchange, Incorporated, a wholly-owned subsidiary of CBOE Holdings, Inc.
- "CFE" refers to CBOE Futures Exchange, LLC, a wholly-owned subsidiary of CBOE Holdings, Inc.
- "CBSX" refers to CBOE Stock Exchange, LLC, a facility of CBOE that is 49.96% owned by CBOE. CBSX wholly owned National Stock Exchange, Inc. ("NSX"), a stock exchange and self-regulatory organization, until it sold NSX to a third party on February 18, 2015. CBSX and NSX ceased operations on April 30, 2014 and May 30, 2014, respectively. CBSX is not a consolidated subsidiary of the Company.
- "CFTC" refers to the U.S. Commodity Futures Trading Commission.
- "Consent Order" refers to the consent order that CBOE and C2 entered into with the SEC on June 11, 2013.
- "Delaware Action" refers to the lawsuit, which was entitled CME Group Inc. et al. v. Chicago Board Options Exchange, Incorporated et al. (Civil Action No. 2369-VCN) and filed in the Delaware Court on August 23, 2006, in which the CBOE and its directors were sued in the Delaware Court by the Board of Trade of the City of Chicago, Inc. ("CBOT"), CBOT Holdings, Inc. and two members of the CBOT who purported to represent a class of individuals who claimed that they were, or had the right to become, members of the CBOE.
- "FASB" refers to the Financial Accounting Standards Board.
- "FINRA" refers to the Financial Industry Regulatory Authority.
- "GAAP" refers to Generally Accepted Accounting Principles in the United States.
- "Member" or "Members" refers to, prior to the completion of the restructuring transaction, any person or organization (or any designee of any organization) that held a membership in the CBOE.
- "Our exchanges" refers to CBOE, C2 and CFE.
- The "restructuring transaction" refers to the transaction on June 18, 2010, in which CBOE converted from a Delaware non-stock corporation owned by its Members to a Delaware stock corporation and a wholly-owned subsidiary of CBOE Holdings.
- "SEC" refers to the U.S. Securities and Exchange Commission.
- "Settlement Agreement" means the Stipulation of Settlement, as amended, approved by the Court of Chancery of the State of Delaware in the Delaware Action.
- "SPX" refers to our S&P 500 Index exchange-traded options products.
- "VIX" refers to the CBOE Volatility Index methodology.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve a number of risks and uncertainties. You can identify these statements by forward-looking words such as "may," "might," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," and the negative of these terms and other comparable terminology. All statements that reflect our expectations, assumptions or projections about the future other than statements of historical fact are forward-looking statements, including statements in the "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." These forward-looking statements, which are subject to known and unknown risks, uncertainties and assumptions about us, may include projections of our future financial performance based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from that expressed or implied by the forward-looking statements. In particular, you should consider the risks and uncertainties described under "Risk Factors" in this Annual Report.

While we believe we have identified material risks, these risks and uncertainties are not exhaustive. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible to predict all risks and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Some factors that could cause actual results to differ include:

- the loss of our right to exclusively list and trade certain index options and futures products;
- increasing price competition in our industry;
- compliance with legal and regulatory obligations, including our obligations under the Consent Order;
- decreases in trading volumes or a shift in the mix of products traded on our exchanges;
- legislative or regulatory changes;
- increasing competition by foreign and domestic entities;
- our dependence on third party service providers;
- our ability to operate our business without violating the intellectual property rights of others and the costs associated with protecting our intellectual property rights;
- our ability to accommodate trading volume and transaction traffic, including significant increases, without failure or degradation of performance of our systems;
- our ability to protect our systems and communication networks from security risks, including cyber-attacks;
- the accuracy of our estimates and expectations;
- economic, political and market conditions;
- our ability to maintain access fee revenues;
- our ability to meet our compliance obligations, including managing potential conflicts between our regulatory responsibilities and our for-profit status;
- our ability to attract and retain skilled management and other personnel;
- our ability to manage our growth effectively; and
- the ability of our compliance and risk management methods to effectively monitor and manage our risks.

For a detailed discussion of these and other factors that might affect our performance, see Part I, Item 1A. of this Report. We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this filing.

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PART I

Item 1. Business

Overview

CBOE Holdings, Inc. is the holding company for Chicago Board Options Exchange, Incorporated, CBOE Futures Exchange, LLC, C2 Options Exchange, Incorporated and other subsidiaries.

The Company's principal business is operating markets that offer for trading options on various market indexes (index options), mostly on an exclusive basis, and futures contracts, as well as on non-exclusive "multiply-listed" options, such as options on the stocks of individual corporations (equity options) and options on other exchange-traded products (ETP options), such as exchange-traded funds (ETF options) and exchange-traded notes (ETN options). The Company operates three stand-alone exchanges, but reports the results of its operations in one reporting segment.

CBOE is our primary options market and offers trading in listed options through a single system that integrates electronic trading and traditional open outcry trading on our trading floor in Chicago. This integration of electronic trading and traditional open outcry trading into a single exchange is known as our Hybrid trading model. CFE, our all-electronic futures exchange, offers trading of futures on the VIX Index and other products. C2 is our all-electronic exchange that also offers trading for listed options, and may operate with a different market model and fee structure than CBOE. All of our exchanges operate on our proprietary technology platform known as CBOE Command.

Since 1974, the first full year of trading on CBOE, we have grown from 5.6 million contracts on one exchange to 1.3 billion contracts on three exchanges in 2014, our most recent fiscal year.

Over the past five years, our overall volume has increased, especially with respect to our index options and futures contracts. The following chart illustrates annual contract volume across the different categories of products traded at the Company for the periods indicated:

	Annual Contract Volume				
	2014	2013	2012	2011	2010
Equities	488,580,906	433,777,204	494,289,301	516,136,937	572,688,137
Indexes	406,454,861	372,647,443	304,339,908	320,389,993	269,989,511
Exchange-traded products	379,742,163	341,023,209	311,792,122	368,364,057	276,362,700
Total Options Volume	1,274,777,930	1,147,447,856	1,110,421,331	1,204,890,987	1,119,040,348
Futures	50,615,435	40,193,447	23,892,931	12,041,102	4,402,378
Total Contract Volume	1,325,393,365	1,187,641,303	1,134,314,262	1,216,932,089	1,123,442,726

Our operating revenues are primarily driven by transaction fee revenues, which are generated on the contracts traded on our exchanges.

Our principal executive offices are located at 400 South LaSalle Street, Chicago, Illinois 60605, and our telephone number is (312) 786-5600.

Our web site is www.cboe.com. Information contained on or linked through our web site is not incorporated by reference into this Annual Report on Form 10-K.

History

CBOE was founded in 1973 as a non-stock corporation owned by its Members. CBOE was the first organized marketplace for the trading of standardized, exchange-traded options on equity securities. In 2004, CFE began operations as a futures exchange. CBOE Holdings was incorporated in the State of Delaware on August 15, 2006. In June 2010, CBOE demutualized (see "Restructuring Transaction") and CBOE, CFE and C2 became wholly-owned subsidiaries of CBOE Holdings. In October 2010, C2, the Company's all-electronic options exchange, initiated operations.

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Restructuring Transaction

On June 18, 2010, CBOE converted from a non-stock corporation owned by its Members into a stock corporation that is a wholly-owned subsidiary of CBOE Holdings. In the restructuring transaction, each CBOE regular membership (an "Exchange Seat") owned by a CBOE Member on June 18, 2010 converted into 80,000 shares of Class A common stock of CBOE Holdings. Seat owners received a total of 74,400,000 shares of Class A common stock of CBOE Holdings in the restructuring transaction. In addition, certain persons who satisfied the qualification requirements set forth in the Settlement Agreement in the Delaware Action received a total of 16,333,380 shares of Class B common stock of CBOE Holdings on June 18, 2010. Pursuant to the Settlement Agreement, qualifying members of the plaintiff class received a cash payment of $300.0 million.

The initial public offering of 13,455,000 shares of unrestricted common stock, including 2,085,774 shares of unrestricted common stock sold by selling stockholders, for a price of $29.00 per share, was completed on June 18, 2010. Net proceeds to the Company after deducting underwriter's fees and commissions and other related expenses were $301.2 million. Costs directly associated with the Company's initial public offering were recorded as a reduction of the gross proceeds received in arriving at the amount recorded in additional paid-in capital.

Upon consummation of the initial public offering, the shares of Class A and Class B common stock not converted into unrestricted common stock and sold in the initial public offering automatically converted into 44,323,803 shares of Class A-1 common stock and 44,323,803 shares of Class A-2 common stock. The Company conducted tender offers in November 2010 and purchased 12,017,895 shares of Class A-1 and Class A-2 common stock. On December 15, 2010 and June 13, 2011, respectively, each remaining share of Class A-1 and Class A-2 common stock issued and outstanding converted into one share of unrestricted common stock. As a result, as of December 31, 2011, no shares of Class A-1 or Class A-2 common stock were outstanding.

Industry

Our primary business of offering exchange-traded options and futures contracts on financial instruments is part of the large and growing global derivatives industry. Derivatives are financial contracts whose value is derived from an underlying asset or reference value. While derivatives exist on a wide range of underlying assets and references, we currently focus on offering derivatives products on individual stocks, stock indexes, exchange-traded funds, exchange-traded notes, interest rates, and various benchmarks related to trading and investment strategies. The global derivatives industry includes both exchanges and a large over-the-counter market. The most common types of derivatives are options, futures and swap contracts. These products allow for various types of risk to be isolated and transferred.

Options and Futures

Options represent a contract giving the buyer the right, but not the obligation, to buy or sell a specified quantity of an underlying security or index at a specific price for a specific period of time. Options provide investors a means for hedging, speculation and income generation, while at the same time providing leverage with respect to the underlying asset. Most options traded on U.S. securities exchanges and over-the-counter are on individual equities, market indexes and ETPs.

Futures are standardized, transferable, exchange-traded contracts that are settled by the delivery of the underlying asset or in cash by reference to the underlying asset or reference at a specified price and on a specified future date. Futures on CFE are settled in cash. Options on futures may also be listed for trading on futures exchanges.

Trading

In the listed options market, there are currently options contracts covering approximately 3,600 underlying stocks, indexes and ETPs, among other products. The presence of dedicated liquidity providers, including market-makers, is a key feature of the options market. Market-makers collectively provide continuous bids and offers for all listed options series. Over the past decade, trading in the options market has migrated from being primarily conducted face-to-face, or "open outcry," to being primarily electronic. As a result, many liquidity providers now operate remotely, away from the physical trading floors, and the majority of options trading volume is handled and executed electronically.

Trends

Increased Interest in Our Proprietary Products

Our proprietary products are those in which we have a property right or for which we have an exclusive license, and contribute almost all of our transaction fee revenues for index options and all of our transaction fee revenues for futures. Listed options on equities and ETPs currently may be listed on all options exchanges, while trading in our proprietary products is limited to our exchanges. Thus, our proprietary products are able to support a higher revenue per contract than multiply-listed products.

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Over the past five years, average daily volume ("ADV") in our index options has increased from 1.07 million contracts to 1.61 million contracts, and ADV in our futures has increased from 17 thousand contracts to 201 thousand contracts. The increase in index options and futures trading significantly outpaced the growth in the industry and multiply-listed products in this time-frame. These increases are primarily due to increased interest in trading our VIX options and futures and SPX options. See "SPX Options" and "Volatility Trading."

Price Competition

Exchanges set fees to attract multiply-listed options business to their exchanges, which has reduced the revenue per contract that we generate from these options. Fees utilized include both transaction fees assessed to access liquidity and incentive programs to attract order flow. Order flow, particularly customer order flow, is the primary driver of multiply-listed options exchange volumes. In the past several years, the competition for this business has increased significantly, due in part to the limited number of firms, known as consolidators, who make routing decisions based on pricing and their ability to internalize order flow. Some exchanges have structured their options businesses in partnership with established market participants and order flow providers. Others offer specific payments for order flow, in addition to any economic incentives received from market-makers and other participants.

In addition, the number of options exchanges has doubled over the past ten years, from six exchanges to twelve, in large part due to existing exchange holding companies opening new exchanges that offer different markets and pricing models on existing technology. As the business continues to expand, and offer greater margins than the equity trading business, we expect that our competitors, or new entrants into the exchange business, may open additional new options exchanges.

Competitive Strengths

We have established ourselves as a global leader and innovator in the options industry. We believe we are well positioned to further enhance our leadership position through several key competitive strengths:

- Innovative Products. We have worked closely and collaboratively with market participants to introduce new products and services to meet the evolving needs of the derivatives industry, and plan to continue these efforts. Products we have developed including index options, options and futures on the VIX Index and other volatility indexes, Long-Term Equity AnticiPation Securities ("LEAPS"), short duration options, including Weeklys, FLexible EXchange Options ("FLEX options") and options strategy benchmark indexes.
- Strategic Relationships. We have entered into licensing agreements with index providers under which we have rights to create volatility indexes and offer options and futures products on their indexes. See "Strategic Relationships."
- Leading Brand, Reputation and Market Position. As the operator of the original and largest U.S. options exchange, based on both contract volume and notional value and one of the largest options exchanges in the world, we have a leading brand and reputation.

Growth Strategy

We believe that the listed options and futures industry, especially with respect to volatility trading, has significant growth potential, including through new participants and products. We expect to further expand our business and increase our revenues and profitability by pursuing the following growth strategies:

- Pursue International Opportunities. We intend to continue our efforts to expand the use of our products internationally. At the core of that effort is extending trading hours in our exclusive products. In 2014, we completed the extension of trading hours for VIX futures to nearly 24 hours per day, and plan to extend the trading hours for SPX and VIX options, adding a session each weekday that begins at 2:00 a.m. CT, to align with the opening of the London markets, and ends at 8:15 a.m. CT. We have also expanded, and intend to continue expanding, our educational offerings internationally, including through the European Risk Management Conference, which has been held three times, and the Asian Risk Management Conference, to be held for the first time in 2015. We also offer a CFE communications hub in London where Trading Permit Holders ("TPHs ") can send and receive data and access CFE's trading system.
- Develop Innovative Proprietary Products. We intend to license and create proprietary intellectual property to develop proprietary products that meet the needs of the derivatives industry, both through strategic relationships and internally developed products. In 2014, we introduced options and futures on the CBOE Short-Term Volatility Index and futures on the CBOE/CBOT 10-year U.S. Treasury Note Volatility Index. We also announced that we had entered into an

agreement with MSCI Inc., under which options on certain MSCI indexes will be solely listed for trading on CBOE in the U.S.

- Offer Compelling Economic Model. We have designed our fee schedule to provide benefits to market participants that concentrate their overall trading activity on CBOE, which we believe encourages market participants to increase their business with us. In our proprietary products, we offer discounts and incentives to certain participants based on relative volume and the use of selected strategies. In multiply-listed products, we offer incentive programs to attract customer order flow to help our market participants manage both the fixed and transaction-based costs of trading on CBOE. We regularly review the fee schedules for all of our exchanges to provide an industry-leading economic offering.
- Continue to Enhance Our Trading Systems. We recognize that the opportunity to participate in the growth of the derivatives market will be driven in great part by the trading functionality and systems capabilities that an exchange offers to market participants. We intend to use our strong in-house development capabilities and continued investment to further harden and develop the functionality and capacity of our trading systems.
- Increase the Number of Users of Our Products. We seek to increase the number of users who trade our products. Specifically, we have targeted new institutional investors, including pensions and endowments, to inform about how to trade our products, especially our proprietary products. We intend to continue offering education sessions and published materials through the Options Institute. We also educate potential investors through our domestic and European Risk Management Conferences and through participation in industry events. We plan to continue these activities and look for other opportunities to grow the user base for our products.
- Attract Over-the-Counter Market Participants. We seek to attract participants from the over-the-counter market, including through our customizable FLEX options products and through offering products similar to those traded over-the-counter, but with listed market protections and benefits, such as transparency, fungibility and centralized clearing.

In addition, through a set of arrangements with S&P OPCO LLC ("S&P"), we permit S&P to license the Company's proprietary indexes and index methodologies for certain purposes to securities firms and other exchanges. The Company and S&P have agreed that S&P may license one or more clearing agencies to clear over-the-counter, or OTC, options based on the S&P 500 Index that meet certain criteria, and that S&P will compensate us for any transaction cleared under such a license based on the notional value of the transaction.

- Pursue Select Strategic Opportunities. We evaluate strategic opportunities that we believe will enhance stockholder value. We specifically look for strategic opportunities beyond our current businesses that will capitalize on our core competencies and diversify our sources of revenue.

Products

Our exchanges provide a marketplace for the trading of options and futures contracts that meet criteria established in the rules of the respective exchange. The options contracts listed for trading include options on indexes, equities and ETPs. In addition, we provide a marketplace for trading futures contracts through CFE.

Types of products

- Index Options. We offer trading in options on several different broad-based market indexes, including the VIX Index, a proprietary index that we developed and that has become a widely recognized measure of equity market volatility. The index options we list include some of the most widely recognized measures of the U.S. equities market, as discussed below.
- Equity Options. We offer trading in options on the stocks of approximately 3,100 corporations. The stocks underlying our individual equity options are listed on equity stock exchanges.
- Options on ETPs. We offer trading in options on over 500 ETFs and ETNs based on various domestic and foreign market indexes, as well as on volatility, commodities, currencies and fixed income instruments.
- Futures. We provide a marketplace for trading ten futures products through CFE. CFE has focused on the trading of futures using the CBOE-created VIX methodology, but also provides trading in S&P 500 Variance futures.

Increased Flexibility

Over the past few years, we have expanded our offerings, and experienced increases in our existing offerings, that allow for customers to trade options on a number of different time horizons, allowing them to pinpoint their preferred timing. In addition to standard option terms, we also offer options with weekly, end of month and end of quarter expirations, and provide LEAPS that allow the user to establish positions that can be maintained for a period of up to fifteen years. Our Weeklys product in particular has seen rapid growth, especially in SPX. We believe that the flexibility provided by these offerings allows us to meet the differing needs of our customers and increase trading volume.

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Proprietary Products

The Company has developed several of its own proprietary indexes and index methodologies. These include volatility indexes based on various broad-based market indexes (such as the S&P 500, the DJIA, the NASDAQ 100 and the Russell 2000), volatility indexes based on ETFs and individual stocks, the CBOE S&P 500 Implied Correlation Index and a series of options strategy benchmarks, including BuyWrite, PutWrite and Collar indexes based on the S&P 500 and BuyWrite indexes based on other broad-based market indexes. In addition to any transaction fee revenue generated on products created based on these indexes, we have licensed others to use some of these indexes to create products and have entered into agreements whereby we have granted to others the rights to sub-license certain indexes. The Company generates revenue from both the calculation and dissemination of index values and from the licensing of our proprietary indexes.

These proprietary products are built both through our in-house research and development staff and our strategic relationships and license agreements with index providers. The following is a discussion of our strategic relationships and additional detail on our most frequently traded products, SPX and VIX options and futures.

Strategic Relationships

The Company has long-term business relationships with several providers of market indexes. We license their indexes as the basis for indexes, index options and other products. In some instances, these licenses provide us with the exclusive right to list certain products based on these indexes. Of particular note are the following:

- S&P 500 and S&P 100 Indexes. We have the exclusive right to offer options contracts on the S&P 500 Index and the S&P 100 Index as a result of a licensing arrangement with S&P OPCO LLC, which was extended in March 2013. Our license with S&P OPCO LLC is through December 31, 2033, with an exclusive license to trade options on the S&P 500 Index through December 31, 2032. We are also authorized to use the S&P 500 Index and S&P 100 for the creation of CBOE volatility indexes, such as the VIX Index, and tradable products on those volatility indexes.
- Dow Jones Industrial Average ("DJIA"). We have the exclusive right during standard US trading hours to offer options contracts on the DJIA and certain other Dow Jones indexes through December 31, 2017 as a result of a licensing arrangement with S&P Dow Jones Indices, LLC. We are also authorized to use these indexes to create CBOE volatility indexes and trade options, futures and other products on these indexes.
- Russell Indexes. We are able to offer options contracts on the Russell 2000 and certain other Russell indexes through February 28, 2015 as a result of a licensing arrangement with Frank Russell Co. We are also authorized to create RVX, a volatility index based on the Russell 2000, and offer options, futures and other products for trading on this index.
- NASDAQ 100. We have a non-exclusive right to offer options contracts on the NASDAQ 100 Index through December 2015 as a result of a licensing arrangement with NASDAQ OMX Group, Inc. Under this license, we are authorized to create VXN, a volatility index on the NASDAQ 100, and offer options, futures or other products on this index.
- MSCI. In December 2014, we announced that we had entered into a license agreement with MSCI Inc., under which CBOE has the exclusive right in the U.S. to offer options on six of MSCI's indexes, including the MSCI EAFE Index and the MSCI Emerging Markets Index.

SPX Options

The S&P 500 Index is an index comprised of 500 large-cap U.S. listed companies. It is one of the most commonly followed indexes, and is considered a bellwether for the U. S. economy. The options we offer on the S&P 500 Index are exclusive to CBOE and contribute substantially to our volumes and transaction fees. Because of its status as a bell-weather, SPX is traded in a number of different trading strategies by customers with different goals, including pension funds hedging their equity exposure by buying put options, asset managers seeking enhanced returns by selling covered call options and hedge funds using risk-managed strategies to capture so-called “risk premia” embedded in option prices.

We are also seeing a significant increase in the number of customers who are trading SPX Weeklys, one of our fastest growing products. As a percentage of total SPX contracts traded, SPX Weeklys has increased from 2.2% in 2010 to 30.7% in 2014. We believe that these traders are using this product to fine tune the timing of hedging strategies and maximize the risk premium in strategies that involve the sale of options, such as covered call writing.

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Volatility Trading

CBOE pioneered the volatility trading space, with its introduction of the CBOE Volatility Index (the "VIX Index") in 1993. We introduced futures on the VIX Index in 2004 and options in 2006. The VIX Index is based on real-time prices of options on the S&P 500 Index and is designed to reflect investors' consensus view of future 30-day expected stock market volatility. Since we started offering these products, we have seen trading from a number of different customer segments utilizing a number of different trading strategies, including hedging extreme stock market declines, also known as “tail risk” hedging, and risk-managed strategies that seek to capture the relative price changes of expected volatility at different times in the future.

While the trading volumes in options and futures on the VIX Index have rapidly increased over the past five years, trading volumes in these products are especially sensitive to market volatility, with increases in volume generally occurring along with spikes in volatility. While we believe that there will be continued intrinsic growth in our volatility products, significant changes in the levels of market volatility may significantly impact volumes in these products.

In addition to the VIX Index, we offer other products based on the VIX methodology, including futures on CBOE Russell 2000 Volatility Index and the CBOE/CBOT 10-year U.S. Treasury Note Volatility Index. CFE also lists futures on realized variance using RIVETS® methodology. While volumes in our non-VIX options and futures volatility products are not material to us, we continue to explore opportunities to expand our volatility product offerings, with respect to both new indexes and new asset classes.

Options Exchanges' Market Participants

As discussed in more detail below, our options exchanges are designed to provide reliable, orderly, liquid and efficient marketplaces for the trading of options by market participants. Our options exchanges operate quote-driven auction markets that involve a number of different market participants.

Trading Permit Holders

Purchasing a monthly trading permit for the respective exchange conveys "Trading Permit Holder" status on that exchange to the permit holder.

A Trading Permit Holder ("TPH") on one of our options exchanges is allowed to enter orders and quotes into the trading system for that exchange. Trading Permit Holder entities can execute trades for their own accounts, for clearing firm accounts, for the accounts of other permit holders or for the accounts of customers.

Applicants for Trading Permit Holder Status

Applicants for Trading Permit Holder status must have adequate financial resources and credit to assume the responsibilities and privileges of a Trading Permit Holder. All Trading Permit Holders must abide by the rules and regulations of the applicable exchange, the provisions of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules and regulations issued by the SEC.

Participant Roles

A trading permit entitles the holder to conduct business on the exchange, including in one of the participant roles described below.

- Market-Maker. A market-maker engages in trading our products either for its own account or for the account of his or her firm, but does not act as an agent representing orders for customers. Market-makers have quoting obligations in their appointed product classes. They are granted margin relief and must have a relationship with a clearing firm that will hold and guarantee their positions. The majority of trading permits in use on CBOE and C2 are used for market making. There are additional classes of market-maker, namely Lead Market-Maker ("LMM") permits and Designated Primary Market-Maker ("DPM") permits that also provide incentives for market-makers to provide competitive quotes, and are also called liquidity providers. In addition, TPHs routing orders to CBOE may designate a Preferred Market-Maker ("PMM"). The PMM is afforded a participation right on specific orders provided that it meets certain other requirements with respect to the relevant options class and quoting obligations.
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Floor Broker. An individual who represents orders on the CBOE trading floor as an agent is known as a floor broker. Floor brokers generally do not trade for their own account, although they may represent their firms' proprietary account, and do not receive any margin relief.

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- Electronic Access Permits ("EAP"). An Electronic Access Permit is a trading permit used by TPHs that need a separate access permit for a specific business function and is the most general type of access permit. EAPs may be registered for one of the following: clearing TPHs; TPHs approved to transact business with the public; proprietary TPHs; and order service firms.

CFE Market Participants

Parties are required to apply and be approved as CFE Trading Privilege Holders and obtain a CFE trading permit in order to have trading privileges on CFE. Trading Privilege Holders on CFE are allowed to enter orders into CFE's trading system and can execute trades for their own accounts or for the accounts of customers.

Under its rules, CFE has the authority to establish market-maker programs and appoint one or more DPMs, LMMs or market-makers. However, CFE does not have a DPM, LMM or market-maker program in VIX futures.

Market Model

Algorithms

The matching algorithms used on our exchanges are the means by which trades are executed and allocated to market participants. Our technology and the rules of our exchanges provide for a variety of different algorithms for matching buyers and sellers. We have the ability to apply different matching algorithms to different products in order to meet the needs of particular market segments. The setting of the matching algorithm affects the share of each trade that a market participant receives and is central to the opportunity and profit potential of market-makers and other liquidity providers.

- CBOE utilizes varying matching algorithms across its listed options classes, with different combinations of customer priority, participation rights and pro-rata, modified pro-rata or price-time depending on the product.
- C2's matching algorithm is pro-rata for ETP options classes. For equity options classes, the C2 matching algorithm was a price-time matching algorithm with customer priority and DPM participation rights in 2014, but became pro-rata in 2015.

Options orders can be routed to other marketplaces via contracted brokers for execution if a better displayed price exists elsewhere. See "Regulatory Responsibilities - Options Intermarket Linkage Plan." Details on our technological capabilities, as well as key systems offerings available to customers, are described in "Technology."

Pricing

Each of our exchanges establishes a fee schedule that, among other things, sets the transaction fee for buying or selling options or futures contracts on the exchange and access fees for accessing the exchange. In our proprietary products, we assess these fees on all participants, with the amount of the fee based on the market participant's role and the origin of the underlying order, and subject to discounts based on relative volume or trading strategies. In multiply-listed products, CBOE utilizes a pricing model in which transaction fees are charged to most professionals, including market-makers, but are not charged for most customer orders. Additionally, CBOE offers incentive programs to attract customer order flow, including certain payments for order flow and our volume incentive program, or VIP, which pays credits to permit holders for executing certain types and levels of qualifying customer business at the exchange.

CFE utilizes a pricing model in which transaction fees vary depending on the type of market participant on whose behalf a trade is made and on whether the trade is executed through CFE’s trading system, or is a block trade or exchange of contract for a related position transaction. CFE also offers a Day Trade Fee Program that provides rebates on trades that qualify for the program.

Each of the exchanges also currently charges a fee for trading permits that allow access to our exchanges. CBOE has a sliding scale for all Market-Maker Trading Permits held by affiliated Trading Permit Holders and TPH Organizations that are used for appointments in any options classes other than SPX.

Competition

CBOE is the largest options exchange in the U.S. based on both total contract volume and notional value of contracts traded. The market share for all options traded on U.S. exchanges over the past five years for CBOE and C2, combined, has ranged from 26.4% to 29.9% annually. For 2014, our market share was 29.9%.

In our proprietary products, we compete against futures exchanges and swap execution facilities that offer similar products and other financial institutions that write over-the-counter derivatives. We also compete against certain multiply-listed options products, include SPY, that offer some of the features of our proprietary products.

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The multiply-listed options industry is extremely competitive and the competition has intensified. We expect this trend to continue. We compete with a number of entities on several different fronts, including the price, quality and speed of our trade execution, the functionality and ease of use of our trading platform, the range of our products and services, our technological innovation and adaption and our reputation. There are ten other U.S. options exchanges that are our primary direct competitors, including ISE, NASDAQ OMX NOM, NASDAQ OMX PHLX, NYSE Amex and NYSE Arca.

The options exchanges frequently introduce new pricing models in order to attract additional trades to their exchanges. These pricing models include traditional pricing, maker-taker, and ownership benefits. See "Trends - Price Competition."

Our competitive challenge is to persuade broker-dealers to route options orders to our exchanges rather than to our competitors and to convince liquidity providers to concentrate their market-making activity on our exchanges. This is particularly true with respect to options on equities and ETPs. We compete through a variety of methods, including:

- Offering a fee schedule that both attracts order flow and provides incentives to liquidity providers;
- Providing advanced technology that offers broad functionality, low latency, fast execution, ease of use, scalability, reliability and security;
- Offering participants access to a broad array of products and services, including proprietary products;
- Offering market participants an efficient, transparent and liquid marketplace for trading options using traditional open outcry and our electronic platform, CBOE Command;
- Offering customers a deep, liquid market with opportunities for price improvement;
- Facilitating payment for order flow through the administration of marketing fees;
- Offering market participants potential participation rights for order flow that they direct or cause to be directed to our exchanges; and
- Providing brokers and their customers with a complete source of information on options as well as extensive options education.

Technology

CBOE Command

CBOE Command, our in-house developed Java application with an infrastructure designed for high performance and low latency, supports trading on all of our exchanges and supports trading nearly 24 hours, 5 days a week on CFE. Our technology supports the trading process from the entering of quotes and orders, to matching trades, to submitting them to OCC for clearing. The technology supports different products, different market models and multiple matching algorithms, as well as a fully integrated complex order book and several auction mechanisms. As mentioned above, CBOE is a hybrid exchange, while C2 and CFE are fully electronic. In the Hybrid format, CBOE Command provides features of screen-based and floor-based trading.

The platform supports both a quote-driven options market model where liquidity providers have quoting obligations and an order-driven market model for our futures exchange. CBOE and C2 market-makers, DPMs and LMMs typically stream hundreds of millions of quotes into CBOE Command each day. To facilitate liquidity providers, CBOE Command offers a number of internal risk controls, including Quote Lock and Quote Risk Monitor.

CBOE Command allows for a quick introduction of different types of derivative and securities products, including options, futures, options on futures and stock products. In addition, our system facilitates different trading models through the use of alternative configurations, allowing us to provide both hybrid and fully electronic market models. CBOE also offers CFLEX, our hybrid platform for trading FLEX options built on the CBOE Command platform.

Hybrid Trading Model

All CBOE products trade with an electronic and open-outcry component where both are integrated to function as a single market. Our Hybrid trading model is supported by state-of-the-art technology, including the CBOE Command trading platform. For our a.m.-settled SPX options, certain of the electronic trading features are differently configured to better suit the needs of customers in those products.

In general, CBOE market-makers stream their own individual quotes into the CBOE trading engine and, if on the floor, engage in open outcry transactions in their trading crowd. Our Hybrid trading model allows CBOE to offer the best of both electronic and open outcry trading models.

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Market Data

Market data is sent to the Options Price Reporting Authority ("OPRA"), our TPHs, CBOE Financial Network and CBOE Streaming Markets ("CSM"), described below. Our exchanges generate valuable information regarding the prices of our products and the trading activity in our exchanges. For options, market data relating to price and size of market quotations and the price and size of trades is collected and consolidated by OPRA. OPRA disseminates the information for a fee to vendors who redistribute the data to brokers, investors and other persons or entities that use our markets or that monitor general market conditions. After costs are deducted, the fees collected are distributed among OPRA's exchange participants based on their cleared transactions pursuant to the OPRA Plan. As of December 2014, our market data was displayed on approximately 144,000 terminals worldwide. See "Regulatory Environment and Compliance" for further information on OPRA.

Our subsidiary, Market Data Express, LLC ("MDX") sells historical options data and real-time data index values. It also provides market data through CSM, a proprietary streaming data feed. In 2014, we enhanced CSM's offerings to include market depth.

Disaster Recovery

We operate and maintain geographically diverse disaster recovery facilities that essentially replicate the systems available in our primary data center for CBOE and CFE. We expect that the disaster recovery facilities can be up and running in a short period and work with our market participants to ensure that the marketplace can be quickly reopened. We continue to work to improve both the availability of our systems and our disaster recovery facilities, including through simulation testing.

Clearing System

The OCC acts as the issuer, counterparty and guarantor for all options contracts traded on our options exchanges and other U.S. options exchanges. Upon execution of an options trade, we transmit to the OCC a record of all trading activity for clearing and settlement purposes. The OCC fulfills these same functions for futures products traded on CFE.

Regulatory Environment and Compliance

The following discussion covers the more significant areas of regulation of us by the SEC and the CFTC.

Recent Developments

Laws and regulations regarding our business are frequently modified or changed, including in response to adverse financial conditions, to address perceived problems, new products, competition or at the request of market participants. The following is a summary of certain recent regulatory developments that may impact our business.

Regulation System Compliance and Integrity ("Reg SCI") and Working Group Initiatives

On December 5, 2014, the SEC adopted a new regulation, Regulation Systems Compliance and Integrity, (“Reg SCI”) under the Securities Exchange Act. Reg SCI will require “SCI Entities,” which includes self-regulatory organizations like CBOE and C2, to comply with security and capacity requirements with respect to their systems and accompanying compliance procedures. The regulation will replace and codify the current Automation Review Policy. Prior to the November 2015 compliance date, CBOE and C2 will be required to, among other things, establish written policies and procedures reasonably designed to ensure that their systems have adequate integrity to ensure a resilient market in the event of a disruption. This includes, for example, each exchange ensuring that it has adequate disaster recovery facilities that are geographically diverse from the exchange’s systems and that facilitate the ability to resume trading within specified timeframes when critical and non-critical SCI systems are rendered inoperable. It also requires timely and substantial notification to be made to the SEC in the event an exchange experiences any system interruption or interference. The SEC has also established various working groups of exchanges to focus on improving market resiliency, including regarding regulatory halts, trade nullification and additional market protections. As adopted, Reg SCI and the other SEC mandated working group initiatives are very complex, and, as such, compliance with rules may require significant resources.

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Consolidated Audit Trail ("CAT")

In 2012, the SEC directed the self-regulatory organizations, or SROs, through a new regulation, to submit a plan to create, implement and maintain a consolidated audit trail ("CAT"), which would serve as a comprehensive audit trail of orders that will allow regulators to efficiently and accurately track all activity in Regulation NMS securities in the U.S. market. The regulation requires, among other things, that, upon implementation of a plan, data be reported to a central repository the following day by each exchange and broker dealer. We are working with the other SROs to develop the plan to implement a consolidated audit trail, which is required to detail technological and compliance aspects of the plan and the costs to implement the plan, among other details. The SROs have submitted a plan, but further revisions to the plan are anticipated. Once the plan is finalized and effective, there will be a phased implementation over three years. The exchanges and their participants are likely to incur significant costs related to the implementation of the consolidated audit trail requirements.

CFTC Core Principles

Dodd-Frank amended the core principles with which designated contract markets ("DCMs") like CFE must comply under the Commodity Exchange Act. In 2012, the CFTC adopted a number of new regulations applicable to DCMs in order to implement the amended core principles. These regulations related to, among other things, compliance with rules, prevention of market disruption, financial integrity of transactions, disciplinary procedures, system safeguards and financial resources. As a result, CFE implemented a number of new rules, policies and procedures in relation to these new requirements.

One aspect with respect to the amended core principles applicable to DCMs that remains pending relates to amended Core Principle 9. Core Principle 9 requires each DCM to provide a competitive, open and efficient market and mechanism for executing transactions that protects the price discovery process of trading in the DCM’s centralized market. CFTC regulations to implement Core Principle 9 remain pending and may address the extent to which a DCM may permit block trades and exchanges of derivatives for related positions in its products to occur through the DCM outside of the DCM’s centralized market. CFE cannot predict or estimate the extent to which these regulations may affect CFE or its operations.

Risk Controls

In 2013, the CFTC issued a concept release that sought public comment regarding a series of existing and potential pre-trade risk controls; post trade reports and other post-trade measures; system safeguards related to the design, testing, and supervision of automated trading systems; and additional protections designed to promote safe and orderly markets. The concept release was intended to serve as a platform for cataloguing existing industry practices, determining their efficacy and implementation to date and evaluating the need for additional measures, if any. The concept release did not include any proposed new regulations but could lead to the proposal by the CFTC of additional regulations in this regard that could impact CFE or its operations.

Agency Rulemaking Areas

In addition to the above identified areas, the SEC has been directed under Dodd-Frank to implement many new rules, both alone and in conjunction with the CFTC. These areas include portfolio margining and security-based swap clearing and execution.

The SEC has proposed rules, including options fee caps and banning flash orders, that it has not acted upon. While we do not expect the SEC to take action with respect to options fee caps or banning flash orders, as these proposals are dated, if one or both of the proposals were adopted, they could cause significant changes to our market that may reduce our revenue per contract or reduce the volume of trading on our exchanges.

Compliance

Securities Industry-CBOE and C2

Federal securities laws have established a two-tiered system for the regulation of securities exchanges and market participants. The first tier consists of the SEC, which has primary responsibility for enforcing federal securities laws. The second tier consists of self-regulatory organization ("SROs"), which are non-governmental entities that must register with and are regulated by the SEC. CBOE and C2 are SROs, each registered under Section 6 of the Exchange Act as a "national securities exchange" and are subject to oversight by the SEC. CBSX, which ceased offering stocks for trading on April 30, 2014, is not an SRO and was a stock trading facility of CBOE. As the SRO for CBSX, CBOE is responsible for the regulation of the CBSX marketplace and the following discussion of CBOE's responsibilities includes the responsibility to provide regulation for CBSX and CBOE's other facilities. In addition, National Stock Exchange, Inc. ("NSX") is a stock exchange that is a self-regulatory organization and was wholly owned by CBSX until it was sold to a third party on February 18, 2015. NSX ceased operating its exchange on May 30, 2014. CBOE supported NSX in fulfilling its self-regulatory responsibilities during the time that CBSX owned NSX.

SROs are an essential component of the regulatory scheme of the Exchange Act for providing fair and orderly markets and protecting investors. To be registered as a national securities exchange, an exchange must successfully undergo an application and review process with the SEC prior to beginning operations. Among other things, the SEC must determine that the SRO has the ability to comply with the Exchange Act and to enforce compliance by its members and persons associated with its members with the provisions of the Exchange Act, the rules and regulations thereunder and the rules of the exchange.

In general, an SRO is responsible for regulating its members, known as TPHs at CBOE and C2, through the adoption and enforcement of rules governing the business conduct of its members. The rules of the exchange must also assure fair representation of its members in the selection of its directors and administration of its affairs and, among other things, provide that one or more directors be representative of issuers or investors and not be associated with a member of the exchange or with a broker or dealer. Additionally, the rules of the exchange must be adequate to ensure fair dealing and to protect investors and may not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Securities Exchange Act.

As registered national securities exchanges, virtually all facets of our CBOE and C2 operations are subject to the SEC's oversight, as prescribed by the Exchange Act. The Exchange Act and the rules thereunder impose on us many regulatory and operational responsibilities, including the day-to-day responsibilities for market and broker-dealer oversight. Furthermore, as SROs, CBOE and C2 are potentially subject to regulatory or legal action by the SEC or other interested parties. The SEC also has broad enforcement powers to censure, fine, issue cease-and-desist orders, prohibit us from engaging in some of our businesses, suspend or revoke our designation as a registered securities exchange or to remove or censure any of our officers or directors who violate applicable laws or regulations.

As part of its regulatory oversight, the SEC conducts periodic reviews and inspections of exchanges, and CBOE and C2 have been subject to such routine reviews and inspections. To the extent such reviews and inspections result in regulatory or other changes, we may be required to modify the manner in which we conduct our business, which may adversely affect our business. We collect certain fees derived from our regulatory function and fines in connection with our disciplinary proceedings. Under the rules of each of our options exchanges, as required by the SEC, any revenue derived from the regulatory fees and fines cannot be used for non-regulatory purposes.

CBOE and C2 are also subject to the record keeping requirements of Section 17 of the Exchange Act, including the requirement pursuant to Section 17(b) of the Exchange Act to make certain records available to the SEC for examination.

Section 19 of the Exchange Act also provides that we must submit to the SEC proposed changes to any of CBOE's or C2's rules, including revisions of their certificates of incorporation and bylaws. The SEC will typically publish the proposal for public comment, following which the SEC may approve or disapprove the proposal, as it deems appropriate. The SEC's action is designed to ensure that the CBOE's and C2's Rules and procedures are consistent with the Exchange Act and the rules and regulations under the Exchange Act. Certain categories of rule changes, like fee changes, can be effective on filing, but the SEC retains the ability to suspend or reject such filings within a prescribed period of time.

Consent Order

On June 11, 2013, CBOE and C2 entered into a Consent Order with the SEC, under which CBOE and C2 were censured, ordered to cease and desist from violating certain sections of the Securities Exchange Act, paid a fine of $6 million and agreed to complete certain undertakings. These undertakings included conducting a review of our regulatory programs, enterprise risk management and business influences on regulation, reviewing business practices to ensure compliance with the rules of the exchanges and implementing training programs for employees. We have certified to the completion of these undertakings. The Consent Order also requires on-going certifications by the Company's Chief Executive Officer and Chief Regulatory Officer for five years following the completion of certain of the undertakings.

CBOE Holdings

Certain aspects of CBOE Holdings are also subject to SEC oversight, including certain ownership and voting restrictions on its stockholders. The focus of the SEC's regulation of CBOE Holdings is to assure fair representation of Trading Permit Holders in the selection of CBOE and C2 directors, public participation in the governance of CBOE and C2 and that CBOE and C2 can satisfy their regulatory responsibilities under the Exchange Act. Furthermore, the SEC requires that CBOE Holdings give due regard to the preservation of the independence of the self-regulatory function of CBOE and C2 and to CBOE Holdings' obligations to investors and the general public. The SEC also requires that CBOE Holdings not take any actions that would interfere with the effectuation of any decisions by the board of directors of CBOE or C2 relating to their regulatory functions or the structure of the market that it regulates or that would interfere with the ability of the exchanges to carry out

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their responsibilities under the Exchange Act. To the extent that CBOE Holdings' business activities involve or relate to CBOE and C2, the officers and directors of CBOE Holdings may be deemed to be officers and directors of the exchanges for purposes of and subject to oversight under the federal securities laws. Accordingly, the SEC may exercise direct supervision and disciplinary authority over certain CBOE Holdings' activities and those activities may be subject to SEC approval and, in some cases, public notice and comment.

Futures Industry-CFE

The operations of CFE are subject to regulation by the CFTC under the Commodity Exchange Act. The Commodity Exchange Act generally requires that futures trading in the United States be conducted on a commodity exchange designated as a contract market by the CFTC under the Act. The Commodity Exchange Act and CFTC regulations establish criteria for an exchange to be designated as a contract market on which futures and futures options contracts may be traded. Designation as a contract market for the trading of a specified futures contract is non-exclusive. This means that the CFTC may designate additional exchanges as contract markets for trading the same or similar contracts.

CFE is a designated contract market that is subject to the oversight of the CFTC and to a variety of ongoing regulatory and reporting responsibilities under the Commodity Exchange Act. As a designated contract market, CFE is required to comply with the applicable core principles and regulations under the Commodity Exchange Act. CFE has surveillance and compliance operations and procedures to monitor and enforce compliance by Trading Privilege Holders with CFE rules. If CFE fails to comply with applicable laws, rules or regulations, CFE may be subject to censure, fines, cease-and-desist orders, suspension of its business, removal of personnel or other sanctions, including revocation of CFE’s designation as a contract market.

The National Futures Association ("NFA") performs many regulatory functions for CFE pursuant to a Regulatory Services Agreement with CFE. CFE retains overall responsibility for the regulation of its marketplace. CFE also remains responsible for bringing disciplinary actions against Trading Privilege Holders, including the ability to issue fines in the case of serious rule violations. In the case of financially distressed Trading Privilege Holders, CFE may take various emergency actions to protect customers, other Trading Privilege Holders and CFE. CFE is also a party to cooperative and regulatory information sharing agreements with other SROs and is a member of the Intermarket Surveillance Group, described below.

Regulatory Responsibilities

Our options exchanges are responsible for assessing the compliance of their Trading Permit Holders with the respective exchange's rules and the applicable rules of the SEC. The main activities that the exchanges are required to provide to measure compliance with these rules include:

- surveillance designed to detect violations of exchange trading rules;
- surveillance designed to detect possible manipulation and violations of other SEC rules;
- the further investigation of matters deemed to be problematic;
- the investigation of complaints about possible rule violations brought by customers, members or other SROs; and
- the examination of CBOE and C2 Trading Permit Holders for compliance with rules such as those related to net capital, books and records, market access and other matters related to the Trading Permit Holders' exchange business function.

As further described below, each options exchange is also responsible for reviewing its Trading Permit Holders' activities related to the conduct of business directly with public customers, or sales practice.

In order to ensure market integrity, we regulate and monitor our Trading Permit Holders' trading activities by using both our employees and third parties under regulatory services agreements. See "Regulatory Agreements" below. Providing effective regulation is important for attracting and retaining the confidence and participation of market-makers, broker-dealers and institutional and retail investors.

We expend considerable time, financial resources and effort to ensure that the exchanges' rules and regulations conform to regulatory best practices within the securities exchange industry and within the regulatory regime overseen by the SEC, our primary regulator. In order to support our efforts and those of our market participants to comply with applicable law and our options exchange rules, we developed a regulatory program to monitor market activity on our options exchanges and across U.S. options market.

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As part of the self-regulatory process, formal disciplinary matters are reviewed by our Business Conduct Committee, which includes both market participants and public representatives. CBOE, C2 and CFE are participants in the Intermarket Surveillance Group ("ISG"). ISG is an international information-sharing cooperative governed by a written agreement that provides for a comprehensive surveillance sharing arrangement. In addition to the agreement for confidential information sharing, the ISG provides a framework for the coordination of regulatory efforts among exchanges trading securities, commodity futures and related products to address potential intermarket manipulations and trading abuses.

We collect certain fees derived from our regulatory function and fines in connection with our disciplinary proceedings. Under the rules of each of our options exchanges, as required by the SEC, any revenue derived from the regulatory fees and fines cannot be used for non-regulatory purposes.

Regulatory Agreements

CBOE and C2 have entered into agreements, some pursuant to Section 17(d) of the Exchange Act, under which third parties have agreed to perform regulatory services to our markets. As discussed below, in certain instances, the third party has assumed the regulatory responsibility under Rule 17d-2, while in others, CBOE retains the regulatory responsibility for the activities.

Regulatory Services Agreement with FINRA

On December 19, 2014, CBOE and C2 entered into an agreement with the Financial Industry Regulatory Authority ("FINRA") under which FINRA agreed to start providing regulatory services to CBOE and C2 on January 1, 2015. Under the agreement, FINRA will perform the majority of the regulatory services for CBOE and C2. CBOE and C2 remain responsible for the regulation of their marketplaces, and retain the authority for bringing disciplinary actions against their Trading Permit Holders.

Rule 17d-2 Agreements

Section 17(d) of the Exchange Act and the related Exchange Act rules permit SROs to allocate certain regulatory responsibilities to avoid duplicative oversight and regulation. Under Exchange Act Rule 17d-1, the SEC designates one SRO to be the Designated Examining Authority ("DEA") for each broker-dealer that is a member of more than one SRO. The DEA is responsible for the regulatory oversight of the financial responsibility aspects of that broker-dealer. We are the DEA for many of our members.

Exchange Act Rule 17d-2 permits SROs to enter into agreements, commonly called Rule 17d-2 agreements, which are approved by the SEC and concern the enforcement of rules applicable to all of those SROs and relating to members those SROs have in common. We have entered into Rule 17d-2 agreements under which FINRA is allocated responsibility for enforcing certain federal securities laws and CBOE and C2 rules that are common with FINRA rules, rules related to options sales practices with respect to CBOE and C2 Trading Permit Holders and insider trading rules. We have entered into other Rule 17d-2 agreements that allocate responsibility to each SRO for ensuring that their allocated common members comply with rules governing expiring exercise declarations, options position limits and large options position reporting and position adjustments. Finally, we have entered into a Rule 17d-2 agreement that allocates certain responsibilities under Regulation NMS to a market participant's DEA.

ORSA Plan

The SEC approved a national market system plan named the Options Regulatory Surveillance Authority Plan ("ORSA Plan") with the purpose of permitting the U.S. securities options exchanges to act jointly in the administration, operation and maintenance of a regulatory system for the surveillance, investigation and detection of the unlawful use of undisclosed, material information in trading in one or more of their markets. Through the sharing of the costs of these regulatory activities and the sharing of the regulatory information generated under the ORSA Plan, the ORSA Plan is intended to enhance the effectiveness and efficiency with which the exchanges regulate their respective markets and the national market system for options and to avoid duplication of certain regulatory efforts. The ORSA policy committee had delegated the operation of the surveillance and investigative facility contemplated by the ORSA Plan to CBOE. The exchanges also entered into a Regulatory Services Agreement with CBOE, as service provider, pursuant to which CBOE performed certain regulatory and surveillance functions under the ORSA Plan and used its automated insider trading surveillance system to perform these functions on behalf of the exchanges. Effective January 1, 2015, the ORSA policy committee delegated the operation of the ORSA Plan facility to FINRA, and

FINRA became the service provider under the Regulatory Services Agreement.

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National Market System ("NMS") Plans

OPRA Plan, CTA Plan and NASDAQ Unlisted Trading Privileges Plan

Like all U.S. options exchanges, CBOE and C2 are member exchanges in OPRA, a limited liability company. The OPRA limited liability company agreement sets forth a system for reporting options information that is administered by the member exchanges through OPRA, consisting of representatives of the member exchanges. OPRA is the designated securities information processor for market information that is generated through the trading of exchange-listed securities options in the U.S., and it disseminates certain core trading information, such as last sale reports and quotations. We also participate in the Consolidated Tape Association, or CTA, the Consolidated Quotation Plan, or CQ Plan, and the NASDAQ Unlisted Trading Privileges Plan, which perform analogous services for the U.S. equities market. NYSE Technologies, formerly the Securities Industry Automation Corporation, acts as the "processor" for OPRA, CTA and the CQ Plan. NASDAQ acts as the processor for the NASDAQ Unlisted Trading Plan.

Options Intermarket Linkage Plan

We are a party to the Options Order Protection and Locked/Crossed Market Plan, known as the Options Intermarket Linkage Plan, which is designed to facilitate the routing of orders between exchanges in furtherance of a national market system. The principal purposes of the plan are to promote price protection and to assure that brokers may execute investors' orders at the best market price, the "National Best Bid and Offer" ("NBBO"). The plan requires price protection of an exchange's best displayed bid or offer when the bid or offer is at the NBBO. Under the plan, direct exchange-to-exchange access through broker-dealers is used to transmit intermarket sweep orders similar to sweep orders that are available in the stock market under Regulation NMS. Undisplayed bids and offers and bids and offers at prices that are inferior to an exchange's best bid or offer do not receive protection under this plan.

Options Listing Procedures Plan and Symbology Plan

We are a party to the Options Listing Procedures Plan, which sets forth the procedures that the options exchanges must follow to list new options. We are also a party to the National Market System Plan for the selection and reservation of securities symbols.

Intellectual Property

We own or have rights to a number of intellectual property assets, including trademarks, service marks, domain names, trade names, copyrights, trade secrets and patents. While the majority of our intellectual property is protected under U.S. law, we have many intellectual property assets protected by laws in Europe, Asia and other parts of the world. We license some intellectual property assets to other entities. We attempt to protect our intellectual property rights, while respecting the legitimate intellectual property rights of others.

Employees

As of December 31, 2014, we employed 520 individuals. Of these employees, 208 were involved in systems development or operations, 124 were involved in direct support of trading operations. The remaining 188 employees provide business development, product development, education, financial, regulation, human resources, legal, planning and research, administrative and managerial support.

We have eight building engineers that are covered by a collective bargaining agreement, which expires on May 31, 2015, with the International Union of Operating Engineers Local 399, AFL-CIO. Management believes that we have strong relationships with our employees and we have never experienced a work stoppage.

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Executive Officers of CBOE Holdings

Set forth below is information regarding our executive officers and certain other key employees:

Name	Age	Position
Edward T. Tilly	51	Chief Executive Officer
Edward L. Provost	62	President and Chief Operating Officer
Alan J. Dean	60	Executive Vice President, Chief Financial Officer and Treasurer
Joanne Moffic-Silver	62	Executive Vice President, General Counsel and Corporate Secretary
Gerald T. O'Connell	63	Executive Vice President and Chief Information Officer
David S. Reynolds	61	Vice President and Chief Accounting Officer

Edward T. Tilly. Mr. Tilly is our Chief Executive Officer. He has served in that capacity since May 2013. Prior to becoming CEO, Mr. Tilly served as President and Chief Operating Officer from November 2011, and Executive Vice Chairman from August 2006 until November 2011. He was a member of CBOE from 1989 until 2006, and served as Member Vice Chairman from 2004 through July 2006. Mr. Tilly serves on the board of directors of the OCC. He holds a B.A. degree in Economics from Northwestern University.

Edward L. Provost. Mr. Provost became our President and Chief Operating Officer in May 2013. Prior to that, Mr. Provost served as Executive Vice President and Chief Business Development Officer. He served as the head of our Business Development Division since 2000 and has been employed at the Company since 1975. He holds a B.B.A. in Finance from Loyola University of Chicago and an M.B.A. from the University of Chicago Graduate School of Business.

Alan J. Dean. Mr. Dean is our Executive Vice President, Chief Financial Officer and Treasurer. He has served in that capacity since 1988 and has been employed at the Company in the financial area since 1979. Mr. Dean serves on the board of directors of The Institute for Transfusion Medicine. He is a certified public accountant, and he holds a B.S. degree in Accounting from Western Illinois University and an M.B.A. from Northwestern University's Kellogg Graduate School of Management.

Joanne Moffic-Silver. Ms. Moffic-Silver is our Executive Vice President, General Counsel and Corporate Secretary. She has served in that capacity since 1997 and has been employed as an attorney at the Company since 1980. She is currently a member of the executive committee of the board of advisors of Northwestern University School of Law and a member of the Chicago Network. Ms. Moffic-Silver received her B.A. degree from the University of Wisconsin-Madison (Phi Beta Kappa). Ms. Moffic-Silver received her J.D. degree with honors from Northwestern University School of Law.

Gerald T. O'Connell. Mr. O'Connell is our Executive Vice President and Chief Information Officer. He has served in that capacity since 1993 and has been employed at the Company since 1984. He holds a B.S. degree in Mathematics from Lewis University and a J.D. degree from John Marshall Law School.

David S. Reynolds. Mr. Reynolds is our Vice President and Chief Accounting Officer. He has served in that capacity since May 2009. Prior to that, Mr. Reynolds was with Hudson Highland Group, Inc., where he served in various roles including vice president, controller and chief accounting officer. From February 2005 to February 2007, Mr. Reynolds was vice president, controller and chief accounting officer of Bally Total Fitness Corporation. Prior to that, he spent twenty-two years in various financial roles at Comdisco, Inc., rising to senior vice president and controller.

Mr. Reynolds began his career at Ernst & Young. Mr. Reynolds is a certified public accountant and a certified cash manager. He is a graduate of Lehigh University where he obtained an M.B.A. and a B.S. in Finance.

Available Information

Our website is www.cboe.com. The Company files annual, quarterly and current reports, proxy statements and other information with the SEC under the Exchange Act. The Company makes available, free of charge, on its website its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. The Company's reports filed with, or furnished to, the SEC are also available on the SEC's website at www.sec.gov.

In addition, we have posted on our website the charters for our (i) Audit Committee, (ii) Compensation Committee, and (iii) Nominating and Governance Committee, as well as our Code of Business Conduct and Ethics and Corporate

Governance Guidelines. We will provide a copy of these documents without charge to stockholders upon written request to Investor

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Relations, CBOE Holdings Inc., 400 South LaSalle Street, Chicago, Illinois 60605. Our website and information included in or linked to our website are not part of this Form 10-K.

Item 1A. Risk Factors

The risks and uncertainties described below are those that we believe are material at this time. These risks and uncertainties, however, are not the only risks and uncertainties that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also significantly impact us. Any of these risks and uncertainties may materially and adversely affect our business, financial condition or results of operations, liquidity and cash flows.

Risks Relating to Our Business

Loss of our right to exclusively list certain index options and futures could have a material adverse effect on our financial performance.

We hold exclusive licenses to list securities index options on the S&P 500 Index, the S&P 100 Index and the DJIA, granted to us by the owners of such indexes and have developed our proprietary VIX methodology. In 2014, approximately 81.8% of our transaction fees were generated by our futures and index options, the overwhelming majority of which were generated by our exclusively-licensed products and products based on the VIX methodology. The bulk of this revenue is attributable to our S&P 500 Index options and VIX Index options and futures. As a result, our operating revenues are dependent in part on the exclusive licenses we hold for these products and our ability to maintain our exclusive VIX methodology.

There is a risk, with respect to each of our current exclusive licenses, that the owner of the index may not renew the license with us on an exclusive basis or at all. In the first event, we would be subject to multiple listing in the trading of what is now an exclusive index product, which could result in a loss of market share and negatively impact our profitability. In the second event, we could lose the right to list the index product entirely. The loss or limited use of any of our exclusive index licenses, especially for the S&P 500 Index, for any reason could have a material adverse effect on our business and profitability. See "Business—Products—Strategic Relationships" for a discussion of these licenses and their expiration dates.

In addition to the risks related to our exclusive licenses, if we are unable to retain our proprietary rights in the VIX methodology, our volatility products could be subject to multiple listing or loss of the ability to offer these products for trading, which could have a material adverse effect on us.

In addition, the European Parliament has adopted legislation that requires European exchanges to provide non-discriminatory access to benchmarks, like index options, and is considering other legislation that may impact the ability of European banks to trade our products. While similar legislation has not been proposed in the United States, if it were passed, it could cause us to lose our property rights in our internally developed and licensed index products. The adopted and proposed European legislation may limit our ability to expand our activities in Europe while retaining our property rights, and may reduce the volume on our exchanges from international customers.

Furthermore, our competitors may succeed in providing a market for the trading of index-based or volatility products that are economically similar to those that we offer. It is also possible that a third party may offer trading in index-based products that are the same as those that are the subject of one of our exclusive licenses, but in a jurisdiction in which the index owner cannot require a license or in a manner otherwise not covered by our exclusive license.

The value of our exclusive licenses to list securities index options also depends on the continued ability of index owners to require licenses for the trading of options based on their indexes. Although we and the index owners have prevailed in legal actions challenging our rights to exclusively license indexes, we may be subject to legal or other action taken in the future that might impede our ability to exclusively license indexes.

We agreed with S&P that it may license one or more clearing agencies to clear OTC options based on the S&P 500 Index that meet certain criteria, and that S&P will compensate us for any transaction cleared under such a license based on the notional value of the transaction. Although we expect these transactions to generate incremental revenue, the clearing of options on the S&P 500 Index that are traded OTC could lead to the migration to the OTC market of some trades that today would be entered into on our exchanges, and there can be no assurance that the revenue gained will replace the revenue lost due to any migration.

Our business may be adversely affected by price competition.

The business of operating options exchanges is characterized by intense price competition, especially with respect to transaction fees. The pricing model for trade execution for options has changed in response to competitive market conditions and our competitors have adjusted transaction fees and fee structures accordingly, including by opening new exchanges, which

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allow them to offer multiple pricing models that can appeal to different segments of market participants. These changes have resulted in significant pricing pressures on us, especially on transaction fees for multiply-listed products. As a result of these pricing pressures, our average rate per multiply-listed options contract has decreased from $0.143 in 2012 to $0.092 in 2014. It is likely that this pressure will continue and even intensify as our competitors continue to seek to increase their share of trading by further reducing their transaction fees or by offering other financial incentives to order providers and liquidity providers to induce them to direct orders to their markets.

In addition, one or more competitors may engage in aggressive pricing strategies and significantly decrease or completely eliminate their profit margin for a period of time in order to capture a greater share of trading volume. Some order-providing firms on our exchanges have taken ownership positions in options exchanges that compete with us and such exchanges have given those firms added economic incentives to direct orders to them.

Like nearly all of the other options exchanges, our options exchanges charge an options regulatory fee or ORF to Trading Permit Holders based on the total number of customer contracts cleared by that Trading Permit Holder, regardless of the exchange on which the trade is executed. Along with fines and other regulatory fees, the ORF revenues may only be used to support our regulatory functions. We may face competitive pressures to further reduce or not increase the ORFs on our exchanges, and if we are unable to maintain or, if necessary, increase the ORFs, our results of operation may be adversely affected.

We could lose a substantial percentage of our share of trading if we are unable to price transactions in a competitive manner. Also, our profits could decline if competitive pressures force us to reduce fees. If any of these events occur, our operating results and profitability could be adversely affected.

We operate in a highly regulated industry and may be subject to censures, fines and other legal proceedings if we fail to comply with legal and regulatory obligations.

CBOE and C2 are registered national securities exchanges and SROs, and, as such, are subject to comprehensive regulation by the SEC. CFE is a DCM registered with the CFTC and is subject to comprehensive regulation by the CFTC. See "Business -- Compliance - Securities Industry -- CBOE and C2" for information regarding our ongoing regulatory responsibilities for CBSX.

In addition to the requirements related to operating our markets imposed by the SEC and the CFTC, we also have certain responsibilities for regulating the TPHs that trade on our exchanges. While we have entered into agreements under which FINRA and other SROs with respect to our options exchanges, and NFA with respect to our futures exchange, provide certain regulatory services, we retain responsibility for the regulation of our Trading Permit Holders. See "Business -- Regulatory Responsibilities."

Our ability to comply with applicable laws and rules is largely dependent on the establishment and maintenance of appropriate systems and procedures, our ability to attract and retain qualified personnel, the ability of FINRA and NFA to perform under the regulatory services agreements and our oversight of the work done by FINRA and NFA. The SEC and CFTC have broad powers to audit, investigate and enforce compliance and to punish noncompliance by SROs and DCMs, respectively, pursuant to applicable laws, rules and regulations.

If the SEC were to find one of our programs of enforcement or compliance to be deficient, CBOE or C2 could be the subject of SEC investigations and enforcement proceedings that may result in substantial sanctions, including revocation of an exchange's registration as a national securities exchange. Any such investigations or proceedings, whether successful or unsuccessful, could result in substantial costs, the diversion of resources, including management time, and potential harm to our reputation, which could have a material adverse effect on our business, results of operations or financial condition. In addition, CBOE or C2 may be required to modify or restructure their regulatory functions in response to any changes in the regulatory environment, or they may be required to rely on third parties to perform regulatory and oversight functions, each of which may require us to incur substantial expenses and may harm our reputation if our regulatory services are deemed inadequate.

Although CBOE Holdings itself is not an SRO, CBOE Holdings is subject to regulation by the SEC of activities that involve the exchanges. Specifically, the SEC will exercise oversight over the governance of CBOE Holdings and its relationship with CBOE and C2. See "Regulatory Environment and Compliance—Regulatory Responsibilities."

If we are unable to execute the undertakings in the Consent Order, it may have a significant adverse impact on our business.

On June 11, 2013, CBOE and C2 entered into the Consent Order with the SEC under which CBOE and C2 were censured, ordered to cease and desist from violating certain sections of the Securities Exchange Act, paid a fine of $6 million and agreed to complete certain undertakings. These undertakings included conducting a review of our regulatory programs,

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enterprise risk management and business influences on regulation; reviewing business practices to ensure compliance with the rules of the exchanges; and implementing training programs for employees. The Consent Order also requires on-going certifications by CBOE and C2's Chief Executive Officer and Chief Regulatory Officer for five years.
We may be subject to additional investigations or proceedings by the SEC if the SEC were to find that we did not fulfill our obligations under the Consent Order. Any investigations or proceedings, whether successful or unsuccessful, could result in substantial costs, the diversion of resources, including management time, and potential harm to our reputation, which could have a material adverse effect on our business results of operations or financial condition.
A significant portion of our operating revenues is generated by our transaction-based business. If the amount of trading volume on our exchanges decreases, or the product mix shifts to lower revenue products, our revenues from transaction fees will decrease.
In 2014, 2013 and 2012, approximately 70.9%, 69.4% and 69.7% of our operating revenues, respectively, were generated by our transaction-based business. This business is dependent on our ability to attract and maintain order flow, both in absolute terms and relative to other market centers. Our total trading volumes could decline if our market participants reduce their trading activity for any reason, such as:

- a reduction in trading by customers,
- heightened capital requirements,
- regulatory or legislative actions,
- reduced access to capital required to fund trading activities, or
- significant market disruptions.

Over the past few years, a number of legislative actions have been taken, both domestically and internationally, that may cause our customers, including market makers, to be subject to increased capital requirements and additional compliance burdens. These actions, including Basel III, Dodd-Frank and the Collins Amendment to Dodd-Frank, may cause customers to reduce the number of trades they make on our exchanges.
In addition, the transaction fees generated are different based on type of product and other factors, including the type of customer and certain volume discounts. See "Management's Discussion and Analysis -- Operating Revenues -- Average revenue per contract." If the amount of our trading volume decreases, or the mix traded shifts to our lower revenue per contract products, our revenues from transaction fees will decrease. We can offer no assurance that we would be able to reduce our costs to match the amount of any such decrease.
Legislative or regulatory changes affecting the listed options market could have a material adverse effect on our business.
Changes in regulation by the SEC, CFTC or other government action, including SEC approval of rule filings by other SROs or entities, including OCC, could materially affect our markets. In recent years, the securities and futures industries have been subject to significant regulatory changes as a result of increasing government and public scrutiny in response to the global economic crisis.
In 2010, Congress passed the Dodd-Frank Act and other legislation. While many of its requirements have been implemented or are in the process of being implemented, some of the provisions in Dodd-Frank that impact our markets require additional action by the SEC or the CFTC. Depending on how the SEC and CFTC interpret and implement these laws, exchanges like ours could be subject to increased competition and additional costs. We could also see reduced trading by our customers due to margin or other requirements placed on them.
Under the Collins Amendment to the Dodd-Frank Act, starting in 2015, U.S. banks are required to use a new approach in order to compute their risk weighted assets, which include exchange-traded options and futures. This is expected to increase the capital requirements for U.S. bank holding companies, and bank subsidiaries involved in the trading and clearing of derivatives. These increased capital requirements may reduce trading in options and futures due to bank-affiliated broker-dealers reducing their own trading, charge their customers more to trade or reducing the type or number of customers.
In 2012, the SEC directed the self-regulatory organizations to submit a plan to create, implement and maintain a consolidated audit trail, which would serve as a comprehensive audit trail of orders that will allow regulators to efficiently and accurately track all activity in Regulation NMS securities in the U.S. market. In addition to increased

regulatory obligations, implementation of a consolidated audit trail could result in significant additional expenditures, including to implement any new technology to meet any plan's requirements. The SEC has also adopted Regulation Systems Compliance and Integrity ("Reg SCI") and established working groups of exchanges to focus on improving market resiliency. Meeting the requirements of Reg

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SCI or other regulations or mandates generated by these working groups could result in significant additional expenses, including for technology and compliance.

It is also possible that there will be additional legislative and regulatory changes or efforts in the environment in which we operate our businesses, although we cannot predict the nature of these changes or their impact on our business at this time. Actions on any of the specific regulatory issues currently under review in the U.S. and other proposals could have a material impact on our business. For a discussion of the regulatory environment in which we operate and proposed regulatory changes, see "Business—Regulatory Environment and Compliance."

In addition, Congress, the SEC and other regulatory authorities could impose legislative or regulatory changes that could adversely impact the ability of our market participants to use our markets, or participate in the options or futures industry at all. Any such changes could result in the loss of a significant number of market participants or a reduction in trading activity on our markets, any of which could have a material adverse effect on our business. Changes or proposed changes in regulation may also result in additional costs of compliance and modification of market participants' trading activity on our exchanges.

Intense competition could materially adversely affect our market share and financial performance.

We compete with a number of entities on several different fronts, including the cost, quality and speed of our trade execution, functionality and ease of use of our trading platform, range of our products and services, our technological innovation and adaptation and our reputation. We compete with futures exchanges and swap execution facilities that offer comparable products and with the over-the-counter market with respect to our proprietary products. With respect to our multiply-listed products, our principal competitors are the ten other U.S. options exchanges. See the risk factor "Our business may be adversely affected by price competition."

Most of the equity options and options on ETPs listed and traded on our exchanges are also listed and traded on other U.S. options exchanges. Changes we have implemented in response to competitive pressures may not be successful in maintaining or expanding our market share in those products in the future. Likewise, our future responses to these or other competitive developments may not be successful in maintaining or expanding our market share.

Some of our competitors and potential competitors have greater financial, marketing, technological, personnel and other resources than we do. These factors may enable them to develop similar or more innovative products, to offer lower transaction fees or better execution to their customers or to execute their business strategies more quickly or efficiently than we can.

Furthermore, our competitors may:

- respond more quickly to competitive pressures;
- develop products that compete with our products or are preferred by our customers;
- develop and expand their technology and service offerings more efficiently;
- provide better, more user-friendly and more reliable technology;
- take greater advantage of acquisitions, alliances and other opportunities;
- market, promote and sell their products and services more effectively;
- leverage existing relationships with customers and alliance partners more effectively or exploit brand names to market and sell their services; and
- exploit regulatory disparities between traditional, regulated exchanges and alternative markets, including over-the-counter markets, that benefit from a reduced regulatory burden and lower-cost business model.

The derivatives industry has witnessed both the consolidation of exchange holding companies and the growth in the number of exchanges, with a doubling of the number of options exchanges over the past decade. Consolidation or alliances among our competitors may achieve cost reductions or other increases in efficiency, which may allow them to offer better prices or services than we do. The increase to the number of competitors that we face may result in fragmentation of the market and a reduced market share for our exchanges.

If our products, markets, services and technology are not competitive, our financial condition and operating results would be materially harmed. A decline in our transaction fees or any loss of customers would lower our revenues, which would adversely affect our profitability. For a discussion of the competitive environment in which we operate, see "Business—Competition."

We depend on third party service providers for certain services that are important to our business. An interruption or cessation of such service by any third party could have a material adverse effect on our business.

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We depend on a number of service providers, including clearing organizations such as the OCC and its member clearing firms; securities information processors such as the Consolidated Tape Association and OPRA; regulatory service providers such as FINRA and NFA; the host of our data center; and various vendors of communications and networking products and services. More specifically:

- OCC is the sole provider of clearing on all of our exchanges. If it were unable to perform clearing services, or its clearing members were unable or unwilling to clear through OCC, transactions could likely not occur on our markets.
- OPRA, UTP Securities Information Processor and the Consolidated Tape Association consolidate market information to provide market and regulatory information. If one or both of them were unable to provide this information for a sustained period of time, we may be unable to offer trading on our options markets.
- FINRA and NFA provide regulatory services for our options and futures exchanges, respectively, while, in most cases, we retain regulatory responsibilities for such services. If FINRA or NFA stopped providing services, or provided inadequate services, we may be subject to action by the SEC or CFTC, or may have limitations placed upon our markets.
- We are heavily dependent on technology for our markets, including our data center, which is housed by a third party, and certain communications and networking products and services. If this technology is unavailable, and cannot be replaced in a short time period, we may be unable to operate our markets.

We cannot provide assurance that any of these providers will be able to continue to provide these services in an efficient manner or that they will be able to adequately expand their services to meet our needs. An interruption or malfunction in or the cessation of an important service by a third party could cause us to halt trading in some or all of our products or our services, or make us unable to conduct other aspects of our business. In addition, our inability to make alternative arrangements in a timely manner, or at all, could have a material adverse impact on our business, financial condition and operating results.

We may not be able to protect our intellectual property rights.

We rely on patent, trade secret, copyright and trademark laws, the law of the doctrine of misappropriation and contractual protections to protect our proprietary technology, proprietary index and futures products, index methodologies and other proprietary rights. In addition, we rely on the intellectual property rights of our licensors in connection with our listing of exclusively-licensed index and futures products. We and our licensors may not be able to prevent third parties from copying, or otherwise obtaining and using, our intellectual property without authorization, listing our proprietary or exclusively-licensed index products without licenses or otherwise infringing on our rights. We and our licensors may have to rely on litigation to enforce our intellectual property rights, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or invalidity. We and our licensors may not be successful in this regard. Such litigation, whether successful or unsuccessful, could result in substantial costs to us, diversion of our resources or a reduction in our revenues, any of which could materially adversely affect our business.

Any infringement by us on patent rights of others could result in litigation and could have a material adverse effect on our operations.

Our competitors, as well as others, have obtained, or may obtain, patents that are related to our technology or the types of products and services we offer or plan to offer. We may not be aware of all patents containing claims that may pose a risk of infringement by our products, services or technologies. In addition, some patent applications in the United States are confidential until a patent is issued, and therefore we cannot evaluate the extent to which our products and services may be covered or asserted to be covered in pending patent applications. Thus, we cannot be sure that our products and services do not infringe on the rights of others or that others will not make claims of infringement against us. Claims of infringement are not uncommon in our industry. If one or more of our products, services or technologies were determined to infringe a patent held by another party, we may be required to pay damages, stop using, developing or marketing those products, services or technologies, obtain a license from the holders of the patents or redesign those products, services or technologies to avoid infringing the patent. If we were required to stop using, developing or marketing certain products, our business, results of operations and financial condition could be materially harmed. Moreover, if we were unable to obtain required licenses, we may not be able to redesign our products, services or technologies to avoid infringement, which could materially adversely affect our business, results of operations or financial condition.

Computer and communications systems failures and capacity constraints could harm our reputation and our business.

We operate, monitor and maintain our computer systems and networks, including the systems that comprise CBOE Command, the platform for trading on our exchanges. If we are unable to operate, monitor or maintain these systems and networks, or program them so that they operate correctly and maintain the integrity of their data, it could have a material

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adverse effect on our ability to conduct our business. Although we have a complete back-up of CBOE and CFE, the back-up systems or disaster recovery plans may prove to be inadequate in the event of a systems failure or cyber-security breach. Despite the enhancements made to our disaster recovery facilities, there can be no guarantees that we will be able to open an efficient, transparent and liquid marketplace, if we can open at all.

In addition, we have extended the trading hours on CFE for VIX futures, and expect to extend the trading hours in 2015 for certain products on CBOE. With extended trading hours, we have to operate our systems longer and have fewer non-trading hours to address any potential concerns with the systems on which we rely.

Our systems may fail, in whole or in part, or may operate slowly, causing one or more of the following:

- unanticipated disruption in service to our participants,
- failures or delays during peak trading times or times of unusual market volatility,
- slower response times and delays in trade execution and processing,
- incomplete or inaccurate accounting, recording or processing of trades, and
- distribution of inaccurate or untimely market data to participants who rely on this data in their trading activity.

Any of these events may cause:

- a loss in transaction or other fees due to the inability to provide services for a time,
- requests by market participants or others that we reimburse them for financial loss, either within the constraints of the limited liability provisions of our exchanges' rules or in excess of those amounts,
- trading to diminish on our exchanges due to dissatisfaction with the platform, and
- one or more of our regulators to investigate or take enforcement action against us.

As a consequence of any of these events, our business, financial condition and results of operations could suffer materially.

In addition to other measures, we test our systems to confirm whether they will be able to handle anticipated present and future peak trading volume or times of unusual market volatility. However, we cannot assure you that our estimates of future trading volume will be accurate or that our systems will always be able to accommodate actual trading volume without failure or degradation of performance.

We anticipate that we will need to continue to make significant investments in hardware, software and telecommunications infrastructure to accommodate the increases in traffic. If we cannot increase the capacity and capabilities of our systems to accommodate an increasing volume of transactions and to execute our business strategy, our ability to maintain or expand our businesses would be adversely affected.

The computer systems and communication networks upon which we rely may be vulnerable to security risks and other disruptions.

The secure and reliable operation of our computer systems, our communications networks and the systems of our service providers and market participants, is a critical element of our operations. These systems and communications networks may be vulnerable to unauthorized access, including the improper access of personally identifiable information, malware and other security problems, as well as to acts of terrorism, natural disasters and other events that are beyond our control. If our security measures are inadequate or if there are interruptions or malfunctions in our systems or communications networks, our business, financial condition and operating results could be materially impacted. We may be required to expend significant resources in the event of any real or threatened breaches in security or system failures, including to protect against threatened breaches and to alleviate harm caused by an actual breach, and may suffer harm to our reputation and litigation. Measures we implement for security and otherwise to provide for the confidentiality, integrity and reliability of our systems may prove to be inadequate in preventing system failures or delays in our systems or communications networks, which could lower trading volume and have an adverse effect on our business, financial condition and operating results.

General economic conditions and other factors beyond our control could significantly reduce demand for our products and services and harm our business.

The volume of options and futures transactions and the demand for our products and services are directly affected by economic, political and market conditions in the United States and elsewhere in the world that are beyond our control, including:

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- broad trends in business and finance;
- concerns over inflation and wavering institutional or retail confidence levels;
- changes in government fiscal and monetary policy and foreign currency exchange rates;
- the availability of short-term and long-term funding and capital;
- the availability of alternative investment opportunities;
- changes in the level of trading activity in underlying instruments;
- changes and volatility in the prices of securities;
- the level and volatility of interest rates;
- unforeseen market closures or other disruptions in trading; and
- concerns about terrorism and war.

General economic conditions affect options and futures trading in a variety of ways, from the availability of capital to investor confidence. The economic climate in recent years has been characterized by challenging business, economic and political conditions throughout the world. Adverse changes in the economy may have a negative impact on our revenues by causing a decline in trading volume. Significant declines in trading volumes or demand for market data may have a material adverse effect on our business, financial condition and operating results.

We may not be able to maintain operating revenues generated by making trading permits available in exchange for a fee.

The right to trade on our exchanges is made available through trading permits for which the user pays a fee. These fees account for a significant portion of our operating revenues -- 9.6% in 2014. CBOE charges the highest relative trading permit rates in the options industry. We may face pressure from our customers to lower these rates or may see larger firms electing to use fewer permits to access our exchanges. If the demand for trading permits to our exchanges is less than historic levels or if we are unable to maintain permit rates, our ability to generate operating revenues through the granting of permits for trading access would be negatively impacted, which could adversely affect our profitability.

Potential conflicts of interest between our for-profit status and our regulatory responsibilities may adversely affect our business.

As a for-profit business with regulatory responsibilities, we are responsible for disciplining TPHs for violating our rules, including by imposing fines and sanctions. This may create a conflict of interest between our business interests and our regulatory responsibilities. Any failure by us to fulfill our regulatory obligations could significantly harm our reputation, increase regulatory scrutiny or cause the SEC or CFTC to take action against us, all of which could adversely affect our business, results of operations or financial condition.

Our compliance methods might not be effective and may result in outcomes that could adversely affect our financial condition and operating results.

As the parent company for SROs, we are responsible for maintaining exchanges that comply with securities and futures laws, and SEC and CFTC regulations and the rules of the respective exchanges. Our ability to comply with applicable laws and rules is largely dependent on our policies and procedures designed to meet those compliance responsibilities, as well as our ability to attract and retain qualified personnel throughout the company. Our policies and procedures to identify, monitor and manage compliance risks may not be fully effective. Management of legal and regulatory risk requires policies and procedures to properly monitor, record and verify a large number of transactions and events. We cannot provide assurance that our policies and procedures will always be effective or that we will always be successful in monitoring or evaluating the compliance risks to which we are or may be exposed, or that our compliance and internal audit functions would be able to identify any such ineffectiveness. If these policies and procedures are not effective, we may be subject to monetary or other penalties by our regulators.

If we fail to attract or retain highly skilled management and other employees, our business may be harmed.

Our future success depends in large part on our management team, which possesses extensive knowledge and managerial skill with respect to the critical aspects of our business. The failure to retain members of our management team could adversely affect our ability to manage our business effectively and execute our business strategy.

Our business is also dependent on highly skilled employees, especially those who provide specialized services to our clients and oversee our technology functions. Many of these employees have extensive knowledge and experience in highly

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technical and complex areas of the options trading industry. Because of the complexity and risks associated with our business and the specialized knowledge required to conduct this business effectively, and because the growth in our industry has increased demand for qualified personnel, many of our employees could find employment at other firms if they chose to do so, particularly if we fail to continue to provide competitive levels of compensation. If we fail to retain our current employees, it would be difficult and costly to identify, recruit and train replacements needed to continue to conduct and expand our business. In particular, failure to retain and attract qualified systems personnel could result in systems errors. Consequently, our reputation may be harmed, we may incur additional costs and our profitability could decline.

We may not effectively manage our growth, which could materially harm our business.

Over the past five years, we have demutualized, launched a second options exchange, experienced significantly increased volume on our futures exchange and extended trading hours on our futures exchange, and plan to extend trading hours in SPX and VIX options. We expect that our business will continue to grow, which may place a significant strain on our management, personnel, systems and resources. We must continually improve our operational, financial and regulatory systems and managerial controls and procedures, and may need to continue to expand, train and manage our workforce. We must also maintain close coordination among our technology, accounting, finance, marketing, sales, regulatory and compliance functions. We cannot assure you that we will manage our growth effectively. If we fail to do so, our business could be materially harmed.

Our continued growth will require increased investment by us in technology, facilities, personnel, and financial and management systems and controls. It also will require expansion of our procedures for monitoring and assuring our compliance with applicable regulations, and we will need to integrate, train and manage a growing employee base. The expansion of our existing businesses, any expansion into new businesses and the resulting growth of our employee base will increase our need for internal audit and monitoring processes, which may be more extensive and broader in scope than those we have historically required. We may not be successful in identifying or implementing all of the processes that are necessary. Further, unless our growth results in an increase in our revenues that is proportionally greater than or equal to the increase in our costs associated with this growth, our operating margins will be adversely affected.

Our ability to implement or amend rules could be limited or delayed because of regulation, which could negatively affect our ability to implement needed changes.

Our options exchanges registered with the SEC must submit proposed rule changes to the SEC for its review and, in many cases, its approval. Even where a proposed rule change may be effective upon filing with the SEC, the SEC retains the right to suspend and disapprove such rule changes. Also, the CFTC may stay or disapprove rules that we file with it for CFE, our futures exchange. The rule review process can be lengthy and can significantly delay the implementation of proposed rule changes that we believe are necessary to the operation of our markets. If the SEC or CFTC delays or does not allow one of our exchanges to implement a rule change, this could negatively affect our ability to make needed changes or implement business activities.

Similarly, the SEC must approve amendments to our options exchange subsidiaries' certificates of incorporation and bylaws as well as certain amendments to the certificate of incorporation and bylaws of CBOE Holdings. The SEC may decide not to approve a proposed amendment or may delay such approval in a manner that could negatively affect our ability to make a desired change, which could prevent or delay us from improving the operations of our markets or recognize income from new products.

As one of the largest options exchanges in the world and the largest options exchange in the U.S., we may be at a greater risk for a cyber attack and other cyber security risks.

The frequency of cyber attacks is increasing in general, and various groups have specifically targeted the financial services industry due to its perceived role in the economic and political climate. At the date of this filing, we have no evidence of any cases of data theft, corruption or destruction of data or compromised customer data. Security breaches may have significant costs in terms of cash outlays, business disruption, revenue losses, internal labor, overhead and other expenses. Measures we implement to monitor the environment and protect our infrastructure against security breaches and misappropriation of our intellectual property assets may prove insufficient, which could result in system failures and delays that could cause us to lose market participants, experience lower trading volume, incur significant liabilities or have a negative impact on our competitive advantage.

Misconduct by our TPHs or others could harm us.

We run the risk that our Trading Permit Holders, other persons who use our markets or our employees may engage in fraud or other misconduct, which could result in regulatory sanctions and serious harm to our reputation, especially because we are the parent company of SROs. It is not always possible to deter misconduct, and the precautions we take to prevent and

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detect this activity may not be effective in all cases. In addition, misconduct by, or failures of, participants on our exchanges may discourage trading on our exchanges, which could reduce revenues.

Changes in the tax laws and regulations affecting us and our market participants could have a material adverse effect on our business.

Legislation has been proposed, both domestically and internationally, that could change the way that our market participants are taxed on the products they trade on our markets. The proposals include modifications to the taxation of financial products, including repealing the "60/40 Rule," which allows market-makers to pay a blend of capital gains and ordinary tax rates on their income, requiring all derivatives to be marked-to-market, eliminating the exemption for "qualified covered calls," and the implementation of a transaction tax. If the proposed tax law changes, a transaction tax or other tax change that detrimentally impacts options or futures trading were to become law, they could have a negative impact on the options and futures industry and us by making transactions more costly to market participants, which may reduce trading.

The IRS has proposed new regulations under Section 871(m) that may require dividend tax withholding for a significant number of transactions completed by foreign persons. If the proposed regulations are adopted, or unless significant changes are made to the regulations, there may be a significant reduction in trading by foreign persons, either by their choice or due to brokers refusing to trade options for such persons.

In addition to proposed tax changes that would affect our market participants, states are currently modifying the apportionment factors on which the taxes are based, and are becoming more aggressive at asserting nexus over corporations that are not domiciled in the state. If these state tax laws change, or if states are successful at asserting nexus against us, we may be subject to taxes in additional states or at a higher amount in the states in which we operate. If this occurs, we may experience a higher marginal state tax rate.

If our risk management methods are not effective, our business, reputation and financial results may be adversely affected.

We have methods to identify, monitor and manage our risks. If our methods are not effective or we are not successful in monitoring or evaluating the risks to which we are or may be exposed, our business, reputation, financial condition and operating results could be materially adversely affected. In addition, our insurance policies may not provide adequate coverage.

We may selectively explore acquisition opportunities or strategic alliances relating to other businesses, products or technologies. We may not be successful in integrating other businesses, products or technologies with our business. Any such transaction also may not produce the results we anticipate, which could adversely affect us.

We may selectively explore and pursue acquisition and other opportunities to strengthen our business and grow our company. We may enter into business combination transactions, make acquisitions or enter into strategic partnerships, joint ventures or alliances, any of which may be material. The market for acquisition targets and strategic alliances is highly competitive, which could make it more difficult to find appropriate merger or acquisition opportunities. If we are required to raise capital by incurring debt or issuing additional equity for any reason in connection with a strategic acquisition or investment, financing may not be available or the terms of such financing may not be favorable to us and our stockholders, whose interests may be diluted by the issuance of additional stock.

The process of integration may produce unforeseen regulatory and operating difficulties and expenditures and may divert the attention of management from the ongoing operation of our business and harm the reputation of the companies. We may not successfully achieve the integration objectives, and we may not realize the anticipated cost savings, revenue growth and synergies in full or at all, or it may take longer to realize them than expected, any of which could negatively impact our results of operations, financial condition or the market price of our common stock.

Any decision to pay dividends on our common stock is at the discretion of our board of directors and depends upon the earnings of our operating subsidiaries. Accordingly, there can be no guarantee that we will pay dividends to our stockholders.

We have paid quarterly dividends since the restructuring transaction and initial public offering and intend to continue paying regular quarterly dividends to our stockholders. However, any decision to pay dividends on our common stock will be at the discretion of the board of directors, which may determine not to declare dividends at all or at a reduced amount. The board's determination to declare dividends will depend upon our profitability and financial condition, contractual restrictions, restrictions imposed by applicable law and the SEC and other factors that the board deems relevant. As a holding company with no significant business operations of its own, CBOE Holdings depends entirely on distributions, if any, it may receive from its subsidiaries to meet its obligations and pay dividends to its stockholders. If these subsidiaries are not profitable, or even if they are and they determine to retain their profits for use in their businesses, we will be unable to pay dividends to our stockholders.

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Certain provisions in our organizational documents could enable the board of directors to prevent or delay a change of control.

Our organizational documents contain provisions that could block actions that shareholders might find favorable, including discouraging, delaying or preventing a change of control or and unsolicited acquisition proposals for us. These include provisions:

- prohibiting stockholders from acting by written consent;
- requiring advance notice of director nominations and of business to be brought before a meeting of stockholders; and
- limiting the persons who may call special stockholders' meetings.

In addition, our organizational documents include provisions that:

- restrict any person from voting or causing the voting of shares of stock representing more than 20% of our outstanding voting capital stock; and
- restrict any person from beneficially owning shares of stock representing more than 20% of the outstanding shares of our capital stock.

Furthermore, our board of directors has the authority to issue shares of preferred stock in one or more series and to fix the rights and preferences of these shares without stockholder approval. Any series of our preferred stock is likely to be senior to our common stock with respect to dividends, liquidation rights and, possibly, voting rights. The ability of the board of directors to issue preferred stock also could have the effect of discouraging unsolicited acquisition proposals, thus adversely affecting the market price of our common stock.

Delaware law makes it difficult for stockholders that have recently acquired a large interest in a corporation to cause the merger or acquisition of the corporation against the directors' wishes. Under Section 203 of the Delaware General Corporation Law, a Delaware corporation may not engage in any merger or other business combination with an interested stockholder for a period of three years following the date that the stockholder became an interested stockholder except in limited circumstances, including by approval of the corporation's board of directors.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Our principal offices are located at 400 South LaSalle Street, Chicago, Illinois 60605. Through our wholly-owned subsidiary, Chicago Options Exchange Building Corporation, we own the building in which our principal offices are located and occupy approximately 300,000 square feet of this building. In addition to our principal offices, we also lease additional office space, approximately 10,000 square feet, which includes our data center and remote network operations.

We believe the space we occupy is sufficient to meet our current and future needs.

Item 3. Legal Proceedings

As of December 31, 2014, the end of the period covered by this report, the Company was subject to the various legal proceedings and claims discussed below, as well as certain other legal proceedings and claims that have not been fully resolved and that have arisen in the ordinary course of business.

The Company reviews its legal proceedings and claims, regulatory reviews and inspections and other legal proceedings on an ongoing basis and follows appropriate accounting guidance when making accrual and disclosure decisions. The Company establishes accruals for those contingencies where the incurrence of a loss is probable and can be reasonably estimated, and we disclose the amount accrued and the amount of a reasonably possible loss in excess of the amount accrued, if such disclosure is necessary for our financial statements to not be misleading. The Company does not record liabilities when the likelihood that the liability has been incurred is probable, but the amount cannot be reasonably estimated, or when the liability is believed to be only reasonably possible or remote. The Company's assessment of whether a loss is reasonably possible or probable is based on its assessment of the ultimate outcome of the matter following all appeals.

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As of December 31, 2014, the Company does not believe that there is a reasonable possibility that any material loss exceeding the amounts already recognized for these reviews, inspections or other legal proceedings, if any, has been incurred. While the consequences of certain unresolved proceedings are not presently determinable, the outcome of any litigation is inherently uncertain and an adverse outcome from certain matters could have a material effect on our earnings in any given reporting period. However, in the opinion of management, the ultimate liability is not expected to have a material effect on our financial position, liquidity or capital resources.

Patent Litigation

ISE -- QRM

On November 12, 2012, CBOE brought suit against International Securities Exchange, LLC ("ISE") in the United States District Court for the Northern District of Illinois alleging that ISE infringes three of its patents (United States Patent Nos. 7,356,498; 7,980,457; and 8,266,044 (the “QRM patents”)) related to quote risk monitor ("QRM") technology. CBOE has requested injunctive relief and monetary damages. On February 20, 2013, the court ruled that the case be transferred to the United States District Court for the Southern District of New York. On October 31, 2013, the court stayed the litigation pending resolution of Covered Business Method ("CBM") Patent Reviews at the United States Patent and Trademark Office ("USPTO") that ISE had petitioned for. On March 4, 2014, the USPTO instituted CBM Patent Reviews on CBOE’s three QRM patents. In the CBM Patent Reviews, ISE has alleged that CBOE’s three QRM patents are invalid because they are directed to subject matter that is not eligible for patent protection. On May 22, 2014, the USPTO instituted Inter Parties Review (“IPR”) Proceedings, which ISE had petitioned for, on some but not all claims of two of CBOE’s QRM patents (United States Patent Nos. 7,356,498 and 7,980,457). In the IPR Proceedings, ISE has alleged that claims of two of CBOE’s QRM patents are invalid because they are directed to subject matter that is either anticipated or obvious in view of the prior art. Both the CBM Patent Reviews and IPR Proceedings are adjudicated by the Patent Trial and Appeal Board of the USPTO.

Lanier Litigation

On May 23, 2014, Harold R. Lanier sued 14 securities exchanges, including CBOE, in the United States District Court for the Southern District of New York on behalf of himself and a putative class consisting of all persons in the United States who entered into contracts to receive market data through certain data plans at any time since May 19, 2008 to the present. The complaint alleges that the market data provided under the CQ Plan and CTA Plans was inferior to the data that the exchanges provided to those that directly receive other data from the exchanges, which the plaintiffs allege is a breach of their “subscriber contracts” and a violation of the exchanges’ obligations under the CQ and CTA Plans. The plaintiffs seek monetary and injunctive relief. On May 30, 2014, Mr. Lanier filed two additional suits in the same Court, alleging substantially the same claims and requesting for the same types of relief against the exchanges who participate in the UTP and the OPRA data plans. CBOE is a defendant in each of these suits, while C2 is only a defendant in the suit regarding the OPRA Plan.

Other

As a self-regulatory organization under the jurisdiction of the SEC, with respect to CBOE and C2, and as a designated contract market under the jurisdiction of the CFTC, with respect to CFE, we are subject to routine reviews and inspections by the SEC and the CFTC.

We are also currently a party to various other legal proceedings in addition to those already mentioned. Management does not believe that the outcome of any of these other reviews, inspections or other legal proceedings will have a material impact on our consolidated financial position, results of operations or cash flows.

Item 4.   Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Unrestricted Common Stock

The Company's unrestricted common stock is listed on the NASDAQ Global Select Market under the trading symbol CBOE. As of January 30, 2015, there were approximately 172 holders of record of our unrestricted common stock.

The following table sets forth the high and low sales prices by quarter for shares of our unrestricted common stock as reported on NASDAQ and cash dividends declared per quarter:

	Price Range		Cash Dividends
Calendar Period	High	Low	Declared per Share
2013			
First Quarter	$36.99	$29.74	$0.15
Second Quarter	47.13	35.76	0.15
Third Quarter	51.12	44.44	0.18
Fourth Quarter (1)	54.79	44.86	0.68
2014			
First Quarter	59.28	48.22	0.18
Second Quarter	56.98	46.84	0.18
Third Quarter	56.36	46.52	0.21
Fourth Quarter	65.39	52.90	0.21
2015			
Through February 11, 2015 (2)	68.00	60.95	0.21

(1) On December 10, 2013, the Company's board of directors declared a special cash dividend of $0.50 per share. The dividend was paid on January 17, 2014 to stockholders of record at the close of business on January 3, 2014.

(2) On February 4, 2015, the Company's board of directors declared a quarterly cash dividend of $0.21 per share. The dividend is payable on March 20, 2015 to stockholders of record at the close of business on February 27, 2015.

Dividends

Each share of unrestricted common stock, including restricted stock awards, and restricted stock units is entitled to receive dividend and dividend equivalents, respectively, if, as and when declared by the board of directors of the Company.

The Company’s expectation is to continue to pay dividends. The decision to pay a dividend, however, remains within the discretion of our board of directors and may be affected by various factors, including our earnings, financial condition, capital requirements, level of indebtedness and other considerations our board of directors deems relevant. Future debt obligations and statutory provisions, among other things, may limit, or in some cases prohibit, our ability to pay dividends.

As a holding company, the Company's ability to declare and continue to pay dividends in the future with respect to its common stock will also be dependent upon the ability of its subsidiaries to pay dividends to it under applicable corporate law.

Recent Sales of Unregistered Securities

Not applicable.

Use of Proceeds

Not applicable.

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Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The table below shows the purchases of equity securities by the Company in the three months ended December 31, 2014, reflecting the purchase of unrestricted common stock under the Company's share repurchase program:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
October 1, 2014 – October 31, 2014	248,300	$55.74	248,300	$104,535,512
November 1, 2014 – November 30, 2014	111,500	60.52	111,500	97,787,576
December 1, 2014 – December 31, 2014	129,700	62.76	129,700	89,647,758
Totals	489,500	$58.69	489,500	

(1) In 2011, the board of directors approved an initial authorization for the Company to repurchase shares of its outstanding unrestricted common stock of $100 million and approved additional authorizations of $100 million in each of 2012, 2013 and 2014 for a total authorization of $400 million. The program permits the Company to purchase shares through a variety of methods, including in the open market or through privately negotiated transactions, in accordance with applicable securities laws. It does not obligate the Company to make any repurchases at any specific time or situation.

The Company purchased 248 shares of unrestricted common stock at an average price of $54.42 in the three months ended December 31, 2014 to satisfy employees' tax obligations upon the vesting of restricted stock. These purchases were not part of the publicly announced repurchase program.

Stockholder Return Performance Graph

The following graph compares the cumulative total return provided to stockholders on our unrestricted common stock since our initial public offering against the return of the S&P Midcap 400 Index and a customized peer group that includes CME Group Inc., Intercontinental Exchange Inc., The NASDAQ OMX Group Inc. and CBOE Holdings. An investment of $100, with reinvestment of all dividends, is assumed to have been made in our unrestricted common stock, the index and the peer groups on June 15, 2010, and its performance is tracked on a annual basis through December 31, 2014.

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Comparison of Cumulative Total Return of the
Company, Peer Groups, Industry Indexes and/or Broad Markets

COMPARISON OF 54 MONTH CUMULATIVE TOTAL RETURN*
Among CBOE Holdings, Inc., the S&P Midcap 400 Index
and a Peer Group

* $100 invested on 6/15/10 in stock or 5/31/10 in index, including reinvestment of dividends.
Fiscal year ending December 31.

	6/15/2010 (1)	12/2010	12/2011	12/2012	12/2013	12/2014
CBOE Holdings, Inc.	100	70.98	81.65	97.25	175.80	217.69
S&P Midcap 400	100	119.98	117.9	138.97	185.53	203.65
Peer Group	100	101.42	89.76	96.83	164.29	182.18

(1)Reflects the date of the Company's initial public offering.

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Item 6. Selected Financial Data

The following table shows selected financial data of the Company that should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and corresponding notes included in Items 7 and 8, respectively, of this Form 10-K:

	Year Ended December 31,				
	2014	2013	2012	2011	2010
		(In thousands, except per share amounts)			
Income Statement Data:					
Total operating revenues	$617,225	$572,050	$512,338	$508,144	$437,104
Total operating expenses	303,424	286,236	268,241	266,512	269,763
Operating income	313,801	285,814	244,097	241,632	167,341
Total other expense	(4,104)	(2,158)	(1,546)	(1,548)	(2,718)
Income before income taxes	309,697	283,656	242,551	240,084	164,623
Income tax provision	119,983	107,657	85,156	100,678	65,227
Net income	$189,714	$175,999	$157,395	$139,406	$99,396
Net income allocated to common stockholders	$188,392	$173,863	$155,254	$136,582	$98,166
Net income per share allocated to common stockholders (1)					
Basic	$2.21	$1.99	$1.78	$1.52	$1.03
Diluted	2.21	1.99	1.78	1.52	1.03
Cash dividends per share paid on Class A and B Common Stock	—	—	—	—	1.25
Cash dividends declared per share (2) (3)	0.78	1.16	1.29	0.44	0.20
Balance Sheet Data:					
Total assets	$383,901	$441,589	$338,858	$327,868	$254,112
Total liabilities	133,834	157,072	99,736	91,598	78,238
Total stockholders'/members' equity	250,067	284,517	239,122	236,270	175,874
Average daily volume by product (4)					
Equities	1,939	1,721	1,977	2,048	2,273
Indexes	1,613	1,479	1,217	1,271	1,071
Exchange-traded products	1,507	1,353	1,247	1,462	1,097
Total options average daily volume	5,059	4,553	4,441	4,781	4,441
Futures	201	159	96	48	17
Total average daily volume	5,260	4,712	4,537	4,829	4,458

(1) Net income per share allocated to common stockholders is calculated by dividing net income for each of the periods as if the restructuring transaction had occurred at the beginning of the year ended December 31, 2010.

(2) On December 11, 2012, the Company's board of directors declared a special cash dividend of $0.75 per share. This was in addition to the quarterly cash dividends which aggregated $0.54 per share for the year ended December 31, 2012.

(3) On December 10, 2013, the Company's board of directors declared a special cash dividend of $0.50 per share. This was in addition to the quarterly cash dividends which aggregated $0.66 per share for the year ended December 31, 2013.

(4) Average daily volume equals the total contracts traded during the period divided by the number of trading days in the period.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the consolidated financial statements of the Company and the notes thereto included in Item 8 of this Annual Report on Form 10-K. The following discussion contains forward-looking statements. Actual results could differ materially from the results discussed in the forward-looking statements. See "Risk Factors" and "Forward-Looking Statements" above.

Overview

CBOE Holdings, Inc. is the holding company for Chicago Board Options Exchange, Incorporated, CBOE Futures Exchange, LLC, C2 Options Exchange, Incorporated and other subsidiaries.

The Company's principal business is operating markets that offer for trading options on various market indexes (index options), mostly on an exclusive basis, and futures contracts, as well as on non-exclusive "multiply-listed" options, such as options on the stocks of individual corporations (equity options) and options on other exchange-traded products (ETP options), such as exchange-traded funds (ETF options) and exchange-traded notes (ETN options). The Company operates three stand-alone exchanges, but reports the results of its operations in one reporting segment.

CBOE is our primary options market and offers trading in listed options through a single system that integrates electronic trading and traditional open outcry trading on our trading floor in Chicago. This integration of electronic trading and traditional open outcry trading into a single exchange is known as our Hybrid trading model. CFE, our all-electronic futures exchange, offers trading of futures on the VIX Index and other products. C2 is our all-electronic exchange that also offers trading for listed options, and may operate with a different market model and fee structure than CBOE. All of our exchanges operate on our proprietary technology platform known as CBOE Command.

Business Trends

- Transaction fees accounted for 70.9%, 69.4% and 69.7% of total operating revenues for the year ended December 31, 2014, 2013 and 2012, respectively.
- Index options and futures contracts accounted for 81.8%, 78.8% and 67.7% of our transaction fees for the year ended December 31, 2014, 2013 and 2012, respectively.
- Our share of total exchange-traded options contracts for the year ended December 31, 2014 was 29.9% up from 27.9% and 27.8% in 2013 and 2012, respectively.
- Operating expenses were 49.2%, 50.0% and 52.3%, of total operating revenues for the years ended December 31, 2014, 2013 and 2012, respectively.
- Employee costs, representing our largest expense category, were 19.7%, 20.6% and 20.3%, of total operating revenues for the years ended December 31, 2014, 2013 and 2012, respectively.
- In December 2014, we entered into an agreement with the Financial Industry Regulatory Authority ("FINRA") to provide a majority of regulatory services to the CBOE and C2 options markets. We do not expect revenue generated from regulatory fees to be materially impacted by the agreement with FINRA. As a result of this agreement, we will experience a shift in expenses from employee costs to outside services.

Business Strategy

We believe that the derivatives industry, especially the listed options and futures industry, has significant growth potential, including through new participants and products. We expect to further expand our business and increase our revenues and profitability by pursuing the following growth strategies:

- We intend to continue developing innovative proprietary products that meet the needs of the derivatives industry, both through strategic relationships and internal development.
- We intend to continue our efforts to expand the use of our products internationally. At the core of that effort is extending trading hours in our exclusive options and futures products.
- We have designed our fee schedule to provide economic benefits to market participants that concentrate their overall trading activity at our exchanges.

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- We intend to continue to enhance our trading platform by continuing to invest in hardening and augmenting the functionality and capacity of our trading systems.
- We seek to attract participants from the over-the-counter market, through customizing options products and through offering products similar to those traded over-the-counter.
- We evaluate strategic opportunities that we believe will enhance stockholder value.

Components of Operating Revenues

Transaction Fees

The primary and largest source of operating revenues is transaction fees. Transaction fees are a function of many variables with the main three being: (1) exchange fee rates; (2) trading volume mix (products traded); and (3) transaction mix between order type. Because transaction fees are assessed on a per contract basis, transaction fee revenue is highly correlated to the volume of contracts traded on the Company's exchanges. While exchange fee rates are established by the Company, trading volume and transaction mix are influenced by a number of factors, including price