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**OPTIONS REGULATORY FEE - ORF**

**A GUIDE TO EXCHANGE COLLECTION SCENARIOS AND RATES**

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**FEBRUARY 6, 2017**

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# Section I – What is the Options Regulatory Fee?

- The Options Regulatory Fee ('ORF'), is a fee assessed by exchanges on their members. As a practical matter, ORF fees are typically passed-through by members to their customers. ORF is collected by The Options Clearing Corp ("The OCC") on behalf of the U.S. options Exchanges.
- Its stated purpose is to recover a portion of the costs related to the supervision and regulation of the options markets. These activities include routine surveillance, investigations, as well as policy, rulemaking, interpretive and enforcement activities.
- The fee was instituted in 2009 by the Chicago Board Options Exchanges, and today, fourteen of the fifteen U.S. options Exchanges assess ORF on trades that clear in the customer range at OCC.
- The majority of Exchanges' charge their ORF fees on members' total options trades, not only the trades a member executes on the exchange assessing the fee.
- ORF is always assessed to an Exchange member; this can include either the executing broker or clearing firm.
- It is stipulated in each Exchange's SEC ORF rule filing, that the amount of revenue collected from the ORF should not exceed the Exchange's regulatory costs.
- At SIFMA's recommendation, all of the Exchanges that assess ORF have filed rules that ORF fee changes must be announced 30 days in advance of effectiveness, and that fee changes are effective on February 1 and August 1.

# Section 2 – Exchange ORF Interpretations:

- NYSE AMEX and NYSE ARCA Exchanges
- BATS BZX and EDGX Exchanges
- BOX Exchange
- CBOE & C2 Exchanges
- ISE and Gemini Exchanges
- MIAX and Pearl Exchanges
- NASDAQ PHLX, NOM and BX Exchanges

# NYSE AMEX and NYSE ARCA Exchanges:

NYSE Options uses the same methodology to assess ORF for AMEX and ARCA

Legend:

Broker 123 – Exchange Member

Broker 456 – Non Exchange Member

Broker 321 – Exchange Member

Broker 789 – Non Exchange Member

Scenario 1 – Broker 123 executes a trade and Broker 123 clears the trade

Broker 123 is assessed an ORF fee for transactions in the customer range. This is true for executions that occur on AMEX, ARCA or an away Exchange. ORF is also collected from Broker 123 because the firm is self clearing.

Scenario 2 – Broker 123 executes the trade which is cleared by Broker 456

No ORF fee is assessed or collected.

Scenario 3 – Broker 789 executes the trade which is cleared by Broker 123

In the case where a non –member executes a transaction (on an away Exchange, since they are not a ARCA or AMEX member), and a ARCA or AMEX member clears the transaction, ORF is assessed to the member who clears the transaction, Broker 123. The fee is assessed and collected on all customer range trades executed by Broker 789 on the Exchanges of which they are members.

Scenario 4 – Broker 321 executes the trade which is cleared by Broker 123

Broker 321 is assessed ORF for trades that clear in the customer range on Amex, Arca or away Exchanges. The ORF is collected from Broker 123 because it is the clearing firm for Broker 321.

# BZX and EDGX Exchanges:

## Legend:

Broker 123 – Exchange Member

Broker 456 – Non Exchange Member

Broker 321 – Exchange Member

Broker 789 – Non Exchange Member

Scenario 1 – Broker 123 executes a trade and Broker 123 clears the trade

Broker 123 is assessed ORF fee for all customer range transactions on BATS and away Exchanges. The fee is collected from Broker 123 since the firm is self-clearing.

Scenario 2 – Broker 123 executes the trade which is cleared by Broker 456

No ORF is assessed or collected.

Scenario 3 – Broker 789 executes the trade which is cleared by Broker 123

ORF is collected from Broker 123 for all customer range transactions executed by Broker 789 on Exchanges that the firm is a member of.

Scenario 4 – Broker 321 executes the trade which is cleared by Broker 123

ORF is assessed to Broker 321 for all customer range transactions on BATS and away Exchanges. The fee is collected from their clearing firm, Broker 123.

# BOX Exchange:

## Legend:

Broker 123 – Exchange Member

Broker 456 – Non Exchange Member

Broker 321 – Exchange Member

Broker 789 – Non Exchange Member

Scenario 1 – Broker 123 executes a trade and Broker 123 clears the trade

Executing Broker 123 is assessed ORF which is charged to clearing Broker 123. This is true for transactions in the customer range that occur on BOX and on away Exchanges (that Broker 123 is a member of).

Scenario 2 – Broker 123 executes the trade which is cleared by Broker 456

If executed on BOX or an away Exchange, Broker 123 is assessed ORF for all transactions in the customer range, which is collected by Broker 456.

Scenario 3 – Broker 789 executes the trade which is cleared by Broker 123

ORF is collected from the BOX options participant, Broker 123, that clears the trade. This is true for transactions in the customer range that occur on away Exchanges of which Broker 789 is a member.

Scenario 4 – Broker 321 executes the trade which is cleared by Broker 123

The Box Options Participant, executing Broker 321 is assessed an ORF fee. This is true for transactions that occur on BOX and at away Exchanges. The fee is collected by Broker 123, who clears for Broker 321.

# CBOE and C2 Exchanges:

The same methodology is used to assess and collect ORF for CBOE and C2

Legend:

Broker 123 – Exchange Member

Broker 456 – Non Exchange Member

Broker 321 – Exchange Member

Broker 789 – Non Exchange Member

Scenario 1 – Broker 123 executes a trade and Broker 123 clears the trade

Broker 123 is assessed ORF for executions in the customer range on CBOE, C2 and away Exchanges. The fee is collected from Broker 123.

Scenario 2 – Broker 123 executes the trade which is cleared by Broker 456

If executed on CBOE, C2 or an away Exchange, ORF is assessed to Broker 123 and collected by Broker 456 for transactions in the customer range.

Scenario 3 – Broker 789 executes the trade which is cleared by Broker 123

In the case where a non –member executes a transaction (on an away Exchange, since they are not a CBOE or C2 member), and a CBOE or C2 member clears the transaction, ORF is assessed to the member who clears the transaction, Broker 123. The fee is assessed and collected on all customer range trades executed by Broker 789 on the Exchanges of which they are members.

Scenario 4 – Broker 321 executes the trade which is cleared by Broker 123

ORF is assessed to Broker 321 and collected by Broker 123 for all transactions in the customer range. This is true for transactions on CBOE, C2 and away Exchanges.



# ISE and Gemini Exchanges:

The same methodology is used to assess and collect ORF for ISE and Gemini

Legend:

Broker 123 – Exchange Member

Broker 456 – Non Exchange Member

Broker 321 – Exchange Member

Broker 789 – Non Exchange Member

Scenario 1 – Broker 123 executes a trade and Broker 123 clears the trade

Broker 123 is assessed ORF for executions in the customer range on ISE, Gemini and away Exchanges. The ORF fee is collected from Broker 123 as the firm is self-clearing.

Scenario 2 – Broker 123 executes the trade which is cleared by Broker 456

ORF is assessed to Broker 123 for executions in the customer range on ISE, Gemini and away Exchanges, and is collected from Broker 456.

Scenario 3 – Broker 789 executes the trade which is cleared by Broker 123

In the case where a non –member executes a transaction (on an away Exchange, since they are not a ISE or Gemini member), and an ISE or Gemini member clears the transaction, ORF is assessed to the member who clears the transaction, Broker 123. The fee is assessed and collected on all customer range trades executed by Broker 789 on the Exchanges of which they are members.

Scenario 4 – Broker 321 executes the trade which is cleared by Broker 123

ORF is assessed to Broker 321 for transactions in the customer range on ISE, Gemini and away Exchanges. The fee is collected from their clearing firm, Broker 123.

# MIAX and Pearl Exchanges:

Legend:

Broker 123 – Exchange Member

Broker 456 – Non Exchange Member

Broker 321 – Exchange Member

Broker 789 – Non Exchange Member

Scenario 1 – Broker 123 executes a trade and Broker 123 clears the trade

Broker 123 is assessed ORF fee for all customer range transactions on MIAX and away Exchanges. The fee is also collected from Broker 123 since the firm is self-clearing.

Scenario 2 – Broker 123 executes the trade which is cleared by Broker 456

ORF is assessed to Broker 123 for all customer range transactions on MIAX or on an away exchange. The fee is collected from Broker 456.

Scenario 3 – Broker 789 executes the trade which is cleared by Broker 123

ORF is collected from the MIAX options participant, Broker 123, that clears the trade. This is true for transactions in the

customer range that occur on away Exchanges of which Broker 789 is a member.

Scenario 4 – Broker 321 executes the trade which is cleared by Broker 123

ORF is assessed to Broker 321 for all customer range transactions on MIAX and away Exchanges. The fee is collected from their clearing firm, Broker 123.

# NOM, PHLX and BX:

The same methodology is used to assess and collect ORF for NOM, PHLX and BX

Legend:

Broker 123 – Exchange Member

Broker 456 – Non Exchange Member

Broker 321 – Exchange Member

Broker 789 – Non Exchange Member

Scenario 1 – Broker 123 executes a trade and Broker 123 clears the trade

For all executions on NOM, PHLX and away Exchanges, Broker 123 is assessed ORF for all executions that clear The OCC in the customer range. The fee is collected from Broker 123 as the firm is self-clearing.

Scenario 2 – Broker 123 executes the trade which is cleared by Broker 456

ORF is assessed to the executing Broker 123 for all transactions that clear in The OCC customer range that are executed by Broker 123 on either NOM or PHLX. The fee is collected from their clearing firm, Broker 456.

Scenario 3 – Broker 789 executes the trade which is cleared by Broker 123

In the case where a non –member executes a transaction (on an away Exchange, since they are not a PHLX or NOM member), and a PHLX or NOM member clears the transaction, ORF is assessed to the member who clears the transaction, Broker 123. The fee is assessed and collected on all customer range trades executed by Broker 789 on the Exchanges of which they are members.

Scenario 4 – Broker 321 executes the trade which is cleared by Broker 123

ORF is assessed to Broker 321 for transactions in the customer range. This is true for transactions on NOM, PHLX and away Exchanges. The fee is collected from Broker 123, their clearing firm.

## Section 3 –ORF Fees

1. ORF Fees as of February 6, 2017
2. Historical Data Chart

# ORF Fees as of February 6, 2017:

Exchange	ORF
AMEX	\$0.0055
ARCA	\$0.0055
BATS BZX Exchange	\$0.0009
BOX	\$0.0038
CBOE	\$0.0081
C2	\$0.0015
EDGX	\$0.0004
ISE	\$0.0039
ISE GEMINI	\$0.0010
MIAX	\$0.0045
NASDAQ OMX BX	\$0.0004
NOM	\$0.0021
Pearl	\$0.0010
PHLX	\$0.0045
<b>Total</b>	<b>\$0.0431</b>

# Historical Perspective of ORF Since Inception:

Maximum Amount that can be Collected per Contract for a Transaction in the Customer Range

	CBOE	PHLX	ISE	BOX	ARCA	AMEX	NOM	C2	MIAX	GEMINI	BZX	BX	EDGX	Pearl	TOTAL
Mar-09	<i>\$0.0060</i>														<i>\$0.0060</i>
Sep-09	<i>\$0.0040</i>														<i>\$0.0040</i>
Jan-10		<i>\$0.0035</i>	<i>\$0.0035</i>	<i>\$0.0030</i>											<i>\$0.0140</i>
Aug-10		<i>\$0.0030</i>													<i>\$0.0135</i>
Jan-11	<i>\$0.0045</i>	<i>\$0.0035</i>													<i>\$0.0145</i>
May-11					<i>\$0.0040</i>	<i>\$0.0040</i>									<i>\$0.0225</i>
Jan-12		<i>\$0.0040</i>					<i>\$0.0015</i>								<i>\$0.0245</i>
Jun-12		<i>\$0.0045</i>	<i>\$0.0042</i>												<i>\$0.0257</i>
Aug-12	<i>\$0.0065</i>							<i>\$0.0015</i>							<i>\$0.0292</i>
Nov-12					<i>\$0.0050</i>	<i>\$0.0050</i>									<i>\$0.0312</i>
Jan-13	<i>\$0.0085</i>							<i>\$0.0020</i>	<i>\$0.0040</i>						<i>\$0.0377</i>
Aug-13										<i>\$0.0010</i>					<i>\$0.0387</i>
Sep-13	<i>\$0.0074</i>							<i>\$0.0000</i>							<i>\$0.0356</i>
Nov-13			<i>\$0.0039</i>												<i>\$0.0353</i>
Jan-14	<i>\$0.0095</i>							<i>\$0.0017</i>							<i>\$0.0391</i>
Feb-14					<i>\$0.0055</i>	<i>\$0.0055</i>		<i>\$0.0012</i>							<i>\$0.0396</i>
Apr-14									<i>\$0.0045</i>						<i>\$0.0401</i>
Aug-14	<i>\$0.0086</i>							<i>\$0.0002</i>							<i>\$0.0382</i>
Feb-15				<i>\$0.0038</i>							<i>\$0.0010</i>				<i>\$0.0400</i>
Aug-15	<i>\$0.0064</i>							<i>\$0.0051</i>							<i>\$0.0427</i>
Sep-15		<i>\$0.0035</i>													<i>\$0.0417</i>
Feb-16	<i>\$0.0081</i>	<i>\$0.0034</i>					<i>\$0.0019</i>	<i>\$0.0015</i>				<i>\$0.0003</i>			<i>\$0.0404</i>
Aug-16							<i>\$0.0021</i>					<i>\$0.0004</i>			<i>\$0.0407</i>
Feb-17		<i>\$0.0045</i>									<i>\$0.0009</i>		<i>\$0.0004</i>	<i>\$0.0010</i>	<i>\$0.0431</i>

\* The initial fee assessed by an Exchange is bolded and italicized in blue; all fee decreases are denoted in red; increases in green.

