

Bats Global Markets, Inc.  
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**The following is a transcript of a video that was made available on the CBOE Holdings website and referenced in a newsletter distributed to employees of CBOE Holdings and Bats on December 22, 2016.**

## Transcript: The CBOE Volatility Index

Hi, I'm Russell Rhoads, director of education at the Options Institute here at CBOE. I'm going to spend the next couple of minutes talking to you guys about the CBOE Volatility Index, or VIX. Before we get going, a couple of slides of disclosures, you can also see this at the bottom of the screen right now.

So onto what's most important: CBOE Volatility Index. It's a consistent measure of 30-day implied volatility that we use S&P 500 Index option pricing to determine. The VIX methodology really is considered an industry standard. It's actually used by multiple exchanges around the world and historically, one of the reasons VIX gets the attention that it does is it has an inverse relationship with the S&P 500 and, in fact, when we get even a small sell-off in the S&P 500, we tend to get a dramatic move to the upside in VIX.

And to demonstrate that, take a look at the first 9 months price action in VIX versus the S&P 500 for 2016. You can see early in the year, the S&P 500 was under some pressure and when we got that final move lower we got a pretty nice spike in VIX. A better example is in late June when the S&P 500 sold off about 5 percent in response to the Brexit referendum. We actually got a 40 percent upside move in VIX. And in this dramatic move that we get out of VIX when the S&P 500 sells off is something that attracts a lot of market participants to trade derivatives on the CBOE Volatility Index.

Now there are three general types of VIX derivatives. We have the VIX futures contracts, which were introduced by CBOE back in 2004. Average volume on those contracts is well over 200,000 now. It's been one of the fastest growing derivative products that's been introduced in the last decade in the U.S.

The VIX options have also been tremendously successful, they are actually the second most actively traded index options in the U.S. behind the S&P 500 Index options. Those were introduced in 2006 and we have up to six expiration months for the VIX option contracts.

And then finally, the area that developed out of the VIX futures is the VIX exchange traded products or VIX-related exchange traded products. None of these give you direct exposure to the VIX, they give you exposure to a portfolio that might hold the front two-month VIX futures contract, either in a leveraged fashion or even an inverse fashion. I think the one that people are most aware of is VXX, but there are a couple dozen of those contracts out there. As those funds grow, those exchange traded notes, exchange traded funds grow, that actually comes back to CBOE in the form of bigger volume in the VIX futures arena. So although they are not directly offered by CBOE we do have a vested interest in those doing well.

So if you want more information about VIX and just a hint to our friends over at Bats you don't refer to it as the VIX, I was corrected on that very early on when I started working here, it's either VIX or the VIX Index. You want to learn more about VIX: [cboe.com/vix](http://cboe.com/vix), or [cboe.com/volatility](http://cboe.com/volatility), which will give you the whole list of the 29 volatility indexes we quote here. The CBOE Futures Exchange has its own microsite.

If you'd like to keep up with everything that's going on around here and anything else that we're doing social media-wise, such as blogging or doing webcasts about the different products we trade at CBOE, the Twitter handle @CBOE is a good place to start. And then finally, if you have any questions about

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anything related to what we do over here at the Options Institute or the exchange, feel free to shoot me a direct email at [rhoads@cboe.com](mailto:rhoads@cboe.com). So, welcome to CBOE and I hope this is going to help you navigate the world that is VIX.

#### **Cautionary Statements Regarding Forward-Looking Information**

*This communication contains certain statements regarding intentions, beliefs and expectations or predictions for the future of CBOE Holdings, Inc. ( "CBOE" ) and Bats Global Markets, Inc. ( "Bats" ), which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Words such as believes, expects, anticipates, estimates, intends, plans, seeks, projects or v similar meaning, or future or conditional verbs, such as will, should, would, could, may or variations of such words and similar expressions intended to identify such forward-looking statements, which are not statements of historical fact or guarantees or assurances of future performance. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking.*

*Actual results could differ materially from those projected or forecast in the forward-looking statements. The factors that could cause actual results to differ materially include, without limitation, the following risks, uncertainties or assumptions: the satisfaction of the conditions precedent to the consummation of the proposed transaction, including, without limitation, the receipt of stockholder and regulatory approvals (including clearance by antitrust authorities necessary to complete the proposed transaction) on the terms desired or anticipated; unanticipated difficulties or expenditures relating to the proposed transaction, including, without limitation, difficulties that result in the failure to realize expected synergies, efficiencies and cost savings from the proposed transaction within the expected time period (if at all), whether in connection with integration, combining trading platforms, broadening distribution of offerings or otherwise; CBOE's ability to maintain an investment grade credit rating and obtain financing on the anticipated terms and schedule; risks relating to the value of CBOE's shares to be issued in the transaction; disruptions of CBOE's and Bats' current plans, operations and relationships with market participants caused by the announcement and pendency of the proposed transaction; potential difficulties in CBOE's and Bats' ability to retain employees as a result of the announcement and pendency of the proposed transaction; legal proceedings that may be instituted against CBOE and Bats following announcement of the proposed transaction; and other factors described in CBOE's annual report on Form 10-K for the fiscal year ended December 31, 2015, which was filed with the Securities and Exchange Commission (the "SEC") on February 19, 2016, CBOE's quarterly report for the quarterly period ended September 30, 2016, which was filed with the SEC on November 8, 2016, CBOE's quarterly report for the quarterly period ended June 30, 2016, which was filed with the SEC on August 2, 2016, Bats' final prospectus, which was filed with the SEC pursuant to Rule 424(b) on April 15, 2016, Bats' quarterly report for the quarterly period ended June 30, 2016, which was filed with the SEC on August 5, 2016, Bats' quarterly report for the quarterly period ended September 30, 2016, which was filed with the SEC on November 8, 2016, and other filings made by CBOE and Bats from time to time with the SEC. The factors described in such SEC filings include, without limitation: the loss of CBOE's rights to exclusively list and trade certain index options and futures products; economic, political and market conditions; compliance with legal and regulatory obligations (and changes thereto), including obligations under agreements with regulatory agencies and potential conflicts between self-regulatory responsibilities and for-profit status; increasing competition in the industries in which CBOE and Bats operate; CBOE's and Bats' ability to operate their respective businesses without violating the intellectual property rights of others and the costs associated with protecting their respective intellectual property rights; decreases in trading volumes or a shift in the mix of products traded on CBOE's or Bats' exchanges; each of CBOE's and Bats' ability to accommodate trading volume and transaction traffic, including significant increases, without failure or degradation of performance of their respective systems; CBOE's and Bats' ability to protect their respective systems and communication networks from security risks and breaches; the ability to manage CBOE's and Bats' growth and strategic acquisitions or alliances effectively, including the ability to realize the anticipated benefits of past acquisitions; the ability to adapt successfully to technological changes to meet customers' needs and developments in the marketplace; and the impact of legal and regulatory changes and proceedings, whether or not related to the proposed transaction.*

*Neither CBOE nor Bats undertakes, and each of them expressly disclaims, any duty to update any forward-looking statement whether as a result of new information, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.*

***Additional Information Regarding the Transaction and Where to Find It***

*This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. This communication is being made in respect of the proposed merger transaction involving CBOE, Bats, CBOE Corporation and CBOE V, LLC. The issuance of shares of CBOE common*

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stock in connection with the proposed merger will be submitted to the stockholders of CBOE for their consideration, and the proposed merger will be submitted to the stockholders of Bats for their consideration. In connection therewith, CBOE filed with the SEC on December 12, 2016 a definitive joint proxy statement/prospectus dated December 9, 2016, and each of the companies may be filing with the SEC other documents regarding the proposed transaction. CBOE and Bats commenced mailing of the definitive joint proxy statement/prospectus to CBOE stockholders and Bats stockholders on December 12, 2016. **BEFORE MAKING ANY VOTING OR ANY INVESTMENT DECISION, INVESTORS AND SECURITY HOLDERS OF CBOE AND/OR BATS ARE URGED TO READ THE DEFINITIVE JOINT PROXY STATEMENT/PROSPECTUS REGARDING THE PROPOSED TRANSACTION AND ANY OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.** Investors and security holders may obtain free copies of the definitive joint proxy statement/prospectus, any amendments or supplements thereto and other documents containing important information about each of CBOE and Bats, as such documents are filed with the SEC, through the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). Copies of the documents filed with the SEC by CBOE will be available free of charge on CBOE's website at <http://ir.cboe.com/financial-information/sec-filings.aspx> under the heading SEC Filings or by contacting CBOE's Investor Relations Department at (312) 786-7136. Copies of the documents filed with the SEC by Bats will be available free of charge on Bats' website at [http://www.bats.com/investor\\_relations/financials/](http://www.bats.com/investor_relations/financials/) under the heading SEC Filings or by contacting Bats' Investor Relations Department at (913) 815-7132.

#### **Participants in the Solicitation**

CBOE, Bats, their respective directors and executive officers, certain other members of CBOE's and Bats' respective management and certain of CBOE's and Bats' respective employees may be deemed to be participants in the solicitation of proxies in connection with the proposed transaction. Information about the directors and executive officers of CBOE is set forth in its proxy statement for its 2016 annual meeting of stockholders, which was filed with the SEC on April 6, 2016, and its annual report on Form 10-K for the fiscal year ended December 31, 2015, which was filed with the SEC on February 19, 2016, and information about the directors and executive officers of Bats is set forth in its final prospectus in connection with its initial public offering, which was filed with the SEC on April 15, 2016. Each of these documents can be obtained free of charge from the sources indicated above. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, are contained in the definitive joint proxy statement/prospectus and may be available in other relevant materials to be filed with the SEC when they become available.

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