CBOE Holdings, Inc.
Form 10-Q
August 04, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number: 001-34774
CBOE HOLDINGS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	20-5446972
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

400 South LaSalle Street Chicago, Illinois	60605
(Address of Principal Executive Offices)	(Zip Code)

(Registrant's telephone number, including area code)
(312) 786-5600

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

Class	July 31, 2017
Common Stock, par value $0.01	112,777,346 shares

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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.
- "Bats Exchanges" refers to BZX, BYX, EDGX and EDGA.
- “Bats Global Markets” and “Bats” refer to our wholly-owned subsidiary Bats Global Markets, Inc., now known as CBOE V, LLC, and its subsidiaries.
- “Bats Hotspot” and “Hotspot” refer to our foreign currency exchange. Hotspot operates in the United States and the United Kingdom.
- “Bats Trading” and “Trading” refer to our broker-dealer entity, Bats Trading, Inc., a wholly-owned subsidiary of CBOE Holdings, Inc., operated in the United States.
- “BTL” refers to Bats Trading Limited, a wholly-owned subsidiary of CBOE Holdings, Inc., the U.K. operator of our Multilateral Trading Facility ("MTF"), and our Regulated Market ("RM"), under its Recognized Investment Exchange ("RIE") status, collectively known as “Bats Europe”.
- “BYX” refers to Bats BYX Exchange, Inc., a wholly-owned subsidiary of CBOE Holdings, Inc.
- “BZX” refers to Bats BZX Exchange, Inc., a wholly-owned subsidiary of CBOE Holdings, Inc.
- "C2" refers to C2 Options Exchange, Incorporated, a wholly-owned subsidiary of CBOE Holdings, Inc.
- "CBOE" refers to Chicago Board 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.
- "CFTC" refers to the U.S. Commodity Futures Trading Commission.
- “Chi-X Europe” refers to our broker-dealer operated in the United Kingdom.
- “EDGA” refers to Bats EDGA Exchange, Inc., a wholly-owned subsidiary of CBOE Holdings, Inc.
- “EDGX” refers to Bats EDGX Exchange, Inc., a wholly-owned subsidiary of CBOE Holdings, Inc.
- "Exchanges" refers to CBOE, C2, BZX, BYX, EDGX, and EDGA.
- "FASB" refers to the Financial Accounting Standards Board.
- "FCA" refers to the U.K. Financial Conduct Authority.
- "GAAP" refers to Generally Accepted Accounting Principles in the United States.
- "Merger" refers to our acquisition of Bats Global Markets, completed on February 28, 2017.
- "OCC" refers to The Options Clearing Corporation, which is the issuer and registered clearing agency for all U.S. exchange-listed options and is the designated clearing organization for futures traded on CFE.
- "SEC" refers to the U.S. Securities and Exchange Commission.
- "SPX" refers to our S&P 500 Index exchange-traded options products.
- "VIX" refers to the CBOE Volatility Index methodology.

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TRADEMARK AND OTHER INFORMATION

CBOE®, Chicago Board Options Exchange®, CFE®, Bats®, BZX®, BYX®, EDGX®, EDGA®, Direct Edge®, Livevol®, CBOE Volatility Index® and VIX® are registered trademarks and CBOE Futures Exchange℠ and CBOE Vest℠ are service marks of CBOE Holdings, Inc. and its subsidiaries. C2℠ and C2 Options Exchange℠ are service marks of C2. Standard & Poor's®, S&P®, S&P 100® and S&P 500® are registered trademarks of Standard & Poor's Financial Services LLC and have been licensed for use by CBOE, C2 and CFE. Dow Jones®, Dow Jones Industrial Average®, DJIA® and Dow Jones Indexes are registered trademarks or service marks of Dow Jones Trademark Holdings, LLC, used under license. MSCI, and the MSCI index names are service marks of MSCI Inc., used under license. Russell®, Russell 1000® and Russell 2000® are registered trademarks of Frank Russell Company, used under license. FTSE® and the FTSE indexes are trademarks and service marks of FTSE International Limited, used under license. All other trademarks and service marks are the property of their respective owners.

This Quarterly Report on Form 10-Q includes market share and industry data that we obtained from industry publications and surveys, reports of governmental agencies and internal company surveys. Industry publications and surveys generally state that the information they contain has been obtained from sources believed to be reliable, but we cannot assure you that this information is accurate or complete. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Statements as to our market position are based on the most currently available market data. While we are not aware of any misstatements regarding industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors. We refer you to the “Risk Factors” in Part II, Item 1A of this Quarterly Report on Form 10-Q and our other filings with the SEC.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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 "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this report. 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 Part II, Item 1A of this Quarterly Report on Form 10-Q and our other filings with the SEC. While we believe we have identified the risks that are material to us, 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;
- economic, political and market conditions;
- compliance with legal and regulatory obligations;
- price competition and consolidation in our industry;
- decreases in trading volumes, market data fees 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 and exposure to risk from third parties;
- our index providers' ability to maintain the quality and integrity of their indexes and to perform under our agreements;
- 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 attract and retain skilled management and other personnel, including those experienced with post-acquisition integration;
- 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 and unauthorized disclosure of confidential information;
- challenges to our use of open source software code;
- our ability to meet our compliance obligations, including managing potential conflicts between our regulatory responsibilities and our for-profit status;
- damage to our reputation;
- the ability of our compliance and risk management methods to effectively monitor and manage our risks;
- our ability to manage our growth and strategic acquisitions or alliances effectively;
- unanticipated difficulties or expenditures relating to the Merger, including, without limitation, difficulties that result in the failure to realize expected synergies, accretion, efficiencies and cost savings from the Merger within the expected time period (if at all), whether in connection with integration, migrating trading platforms, broadening distribution of product offerings or otherwise;

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- restrictions imposed by our debt obligations;
- our ability to maintain an investment grade credit rating;
- potential difficulties in our migration of trading platforms and our ability to retain employees as a result of the Merger; and
- the accuracy of our estimates and expectations.

For a detailed discussion of these and other factors that might affect our performance, see Part II, Item 1A of this Report. We do not undertake, and expressly disclaim, any duty to update any forward-looking statement whether as a result of new information, future events or otherwise, except as required by law. 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—FINANCIAL INFORMATION
Item 1. Financial Statements.
CBOE Holdings, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(unaudited)
(in millions, except par value data, share and per share amounts)

	June 30, 2017	December 31, 2016
Assets		
Current Assets:		
Cash and cash equivalents	$148.6	$97.3
Financial investments	110.4	—
Accounts receivables, net	231.3	76.7
Income taxes receivable	10.7	53.7
Other current assets	18.7	7.4
Total Current Assets	519.7	235.1
Investments	82.0	72.9
Land	4.9	4.9
Property and equipment, net	75.6	55.9
Goodwill	2,686.4	26.5
Intangible assets, net	1,970.4	8.7
Other assets, net	56.6	72.7
Total Assets	$5,395.6	$476.7
Liabilities, Redeemable Noncontrolling Interests and Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued liabilities	$151.0	$82.4
Section 31 fees payable	150.9	4.4
Deferred revenue	14.3	3.1
Income taxes payable	3.9	—
Contingent consideration liability	56.2	—
Total Current Liabilities	376.3	89.9
Long-term debt	1,411.3	—
Income tax liability	68.6	52.1
Deferred income taxes	703.4	—
Other non-current liabilities	6.7	4.2
Commitments and Contingencies		
Redeemable Noncontrolling Interest	12.6	12.6
Stockholders' Equity:		
Preferred stock, $0.01 par value: 20,000,000 shares authorized, no shares issued and outstanding at June 30, 2017 and December 31, 2016	—	—
Common stock, $0.01 par value: 325,000,000 shares authorized, 124,632,833 and 112,777,346 shares issued and outstanding, respectively at June 30, 2017 and 92,950,065 and 81,285,307 shares issued and outstanding, respectively at December 31, 2016	1.2	0.9
Treasury stock, at cost: 11,855,487 shares at June 30, 2017 and 11,664,758 shares at December 31, 2016	(548.2)	(532.2)
Additional paid-in capital	2,596.8	139.2

Retained earnings	737.3	710.8
Accumulated other comprehensive income (loss), net	29.6	(0.8)
Total Stockholders' Equity	2,816.7	317.9
Total Liabilities, Redeemable Noncontrolling Interest and Stockholders' Equity	$5,395.6	$ 476.7

See accompanying notes to condensed consolidated financial statements.

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CBOE Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Income
(unaudited)
(in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues:				
Transaction fees	$453.9	$127.6	$710.3	$253.8
Access fees	29.7	13.2	47.5	26.4
Exchange services and other fees	19.9	11.4	35.3	22.8
Market data fees	48.0	8.2	70.5	16.2
Regulatory fees	83.3	9.2	121.6	18.3
Other revenue	6.0	3.5	11.8	6.1
Total Revenues	640.8	173.1	997.0	343.6
Cost of Revenues:				
Liquidity payments	266.5	7.1	371.8	13.7
Routing and clearing	12.2	2.6	18.5	4.3
Section 31 fees	74.6	—	104.6	—
Royalty fees	20.6	19.3	41.8	38.4
Total Cost of Revenues	373.9	29.0	536.7	56.4
Revenues less Cost of Revenues	266.9	144.1	460.3	287.2
Operating Expenses:				
Compensation and benefits	50.0	28.5	97.8	55.6
Depreciation and amortization	55.8	12.3	80.9	24.2
Technology support services	12.0	5.7	19.5	11.4
Professional fees and outside services	16.9	14.7	31.3	28.3
Travel and promotional expenses	4.2	2.5	7.5	5.0
Facilities costs	2.7	1.4	4.8	2.9
Acquisition-related costs	4.7	—	69.9	—
Change in contingent consideration	0.5	—	0.7	—
Other expenses	2.3	1.0	4.0	2.3
Total Operating Expenses	149.1	66.1	316.4	129.7
Operating Income	117.8	78.0	143.9	157.5
Non-operating (Expenses) Income:				
Interest expense, net	(12.5)	—	(20.4)	—
Other income	0.8	5.8	0.9	6.8
Income Before Income Tax Provision	106.1	83.8	124.4	164.3
Income tax provision	38.1	32.9	41.2	64.2
Net income	68.0	50.9	83.2	100.1
Net loss attributable to redeemable noncontrolling interest	0.3	0.3	0.6	0.5
Net Income Excluding Noncontrolling Interest	68.3	51.2	83.8	100.6
Change in redemption value of noncontrolling interest	(0.3)	(0.3)	(0.6)	(0.5)
Net income allocated to participating securities	(0.7)	(0.2)	(0.8)	(0.4)
Net Income Allocated to Common Stockholders	$67.3	$50.7	$82.4	$99.7
Net Income Per Share Allocated to Common Stockholders:				
Basic earnings per share	$0.60	$0.62	$0.81	$1.22
Diluted earnings per share	0.60	0.62	0.81	1.22

Basic weighted average shares outstanding	112.1	81.3	102.1	81.6
Diluted weighted average shares outstanding	112.5	81.3	102.3	81.6

See accompanying notes to condensed consolidated financial statements.

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CBOE Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(unaudited)
(in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net Income	$68.0	$50.9	$83.2	$100.1
Foreign currency translation adjustments	27.1	—	30.2	—
Unrealized holding gains on available-for-sale investments	0.3	—	0.2	—
Comprehensive Income	95.4	50.9	113.6	100.1
Comprehensive loss attributable to noncontrolling interest	0.3	0.3	0.6	0.5
Comprehensive Income Excluding Noncontrolling Interest	95.7	51.2	114.2	100.6
Change in redemption value of noncontrolling interest	(0.3)	(0.3)	(0.6)	(0.5)
Comprehensive income allocated to participating securities	(0.9)	(0.2)	(1.0)	(0.4)
Comprehensive Income Allocated to Common Stockholders	$94.5	$50.7	$112.6	$99.7

See accompanying notes to condensed consolidated financial statements.

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CBOE Holdings, Inc. and Subsidiaries
Condensed Consolidated Statement of Changes in Stockholders' Equity
Six months ended June 30, 2017
(unaudited)
(in millions)

	Preferred Stock	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income, net	Total Stockholders Equity	Redeemable Noncontrolling Interests
Balance at December 31, 2016	$ —	$ 0.9	$ (532.2)	$ 139.2	$ 710.8	$ (0.8)	$ 317.9	$ 12.6
Issuance of stock for acquisition of Bats Global Markets, Inc.	—	0.3	—	2,424.4	—	—	2,424.7	—
Repurchase of restricted stock from employees	—	—	(16.0)	—	—	—	(16.0)	—
Common stock issued from employee stock plans	—	—	—	3.1	—	—	3.1	—
Stock-based compensation	—	—	—	30.1	—	—	30.1	—
Net income excluding noncontrolling interest	—	—	—	—	83.8	—	83.8	—
Cash dividends on common stock of $0.50 per share	—	—	—	—	(56.7)	—	(56.7)	—
Other comprehensive income	—	—	—	—	—	30.4	30.4	—
Net loss attributable to redeemable noncontrolling interest	—	—	—	—	—	—	—	(0.6)
Redemption value adjustment	—	—	—	—	(0.6)	—	(0.6)	0.6
Balance at June 30, 2017	$ —	$ 1.2	$ (548.2)	$ 2,596.8	$ 737.3	$ 29.6	$ 2,816.7	$ 12.6

See accompanying notes to condensed consolidated financial statements.

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CBOE Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(unaudited)
(in millions)

	Six Months Ended June 30, 2017	2016
Cash Flows from Operating Activities:		
Net income	$83.2	$100.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	80.9	24.2
Amortization of debt issuance cost	1.0	—
Change in fair value of contingent consideration	0.7	—
Realized gain on available-for-sale securities	(0.2)	—
Provision for deferred income taxes	(15.0)	(0.4)
Stock-based compensation expense	30.1	7.1
Impairment of data processing software	14.9	—
Equity in investments	(0.1)	(0.5)
Excess tax benefit from stock-based compensation	5.7	—
Changes in assets and liabilities:		
Accounts receivable	(33.9)	(10.0)
Income taxes receivable	48.3	(4.6)
Other current assets	(8.4)	(5.3)
Accounts payable and accrued liabilities	9.1	(3.2)
Section 31 fees payable	2.9	—
Deferred revenue	6.7	6.6
Income taxes payable	(50.1)	(1.6)
Income tax liability	(3.9)	2.5
Other liabilities	0.2	—
Net Cash Flows provided by Operating Activities	172.1	114.9
Cash Flows from Investing Activities:		
Acquisitions, net of cash acquired	(1,405.4)	(14.3)
Purchases of available-for-sale financial investments	(89.2)	—
Proceeds from maturities of available-for-sale financial investments	45.0	—
Investments	1.4	(24.2)
Purchases of property and equipment	(19.2)	(25.4)
Net Cash Flows used in Investing Activities	(1,467.4)	(63.9)
Cash Flows from Financing Activities:		
Proceeds from long-term debt	1,944.2	—
Principal payments of long term debt	(525.0)	—
Debt issuance costs	(1.3)	—
Dividends paid	(56.7)	(37.7)
Purchase of unrestricted stock from employees	(16.0)	—
Proceeds from exercise of stock-based compensation	1.3	—
Excess tax benefit from stock-based compensation	—	1.2
Proceeds from employee stock purchase plan	—	(4.1)
Purchase of common stock under announced program	—	(60.5)
Net Cash provided by (used in) Financing Activities	1,346.5	(101.1)
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash equivalents	0.1	—

Increase (Decrease) in Cash and Cash Equivalents	51.3	(50.1)
Cash and Cash Equivalents:		
Beginning of Period	97.3	102.3
End of Period	$148.6	$52.2
Supplemental disclosure of noncash transactions:		
Forfeiture of common stock for payment of exercise of stock options	$1.7	$—
Supplemental disclosure of noncash investing activities:		
Accounts receivable acquired	$117.8	$—
Financial investments	66.0	—
Property and equipment acquired	21.8	—
Goodwill acquired	2,649.3	—
Intangible assets acquired	2,000.0	—
Other assets acquired	32.8	—
Accounts payable and accrued expenses acquired	(60.1)	—
Section 31 fees payable acquired	(143.6)	—
Deferred tax liability acquired	(718.5)	—
Other liabilities assumed	(135.4)	—
Issuance of common stock related to acquisition	(2,424.7)	—

See accompanying notes to condensed consolidated financial statements.

CBOE Holdings, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

CBOE Holdings, Inc. (CBOE Holdings or the Company) is the owner of the Chicago Board Options Exchange, the Bats Exchanges, CBOE Futures Exchange (CFE) and other subsidiaries. The Company is one of the world's largest exchange holding companies and a leader in providing global investors cutting-edge trading and investment solutions.

The Company offers trading across a diverse range of products in multiple asset classes and geographies, including options, futures, U.S. and European equities, exchange-traded products (ETPs), and multi-asset volatility and global foreign exchange ("FX") products. CBOE Holdings' fourteen trading venues include the largest options exchange by volume in the United States, and the largest pan-European stock exchange in Europe by volume. The Company is the second-largest stock exchange operator in the United States by volume and a leading market globally for ETP trading.

Basis of Presentation

These interim unaudited condensed consolidated financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, valuation of redeemable noncontrolling interests and reported amounts of revenues and expenses. On an ongoing basis, management evaluates its estimates based upon historical experience, observance of trends, information available from outside sources and various other assumptions that management believes to be reasonable under the circumstances. Actual results may differ from these estimates under different conditions or assumptions.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of financial position, results of operations and cash flows at the dates and for the periods presented have been included.

The results of operations for interim periods are not necessarily indicative of the results of operations for the full year.

For those consolidated subsidiaries in which the Company's ownership is less than 100% and for which the Company has control over the assets and liabilities and the management of the entity, the outside stockholders' interest are shown as non-controlling interests.

In 2017, the Company changed the presentation of liquidity payments, or rebates paid to customers in accordance with published fee schedules, to be a cost of revenues, which historically had been netted against transaction fees. The Company also changed the presentation of royalty fees to be a cost of revenues. The presentation of routing fees and costs were also changed. Routing fees were presented in transaction fees in total revenues and routing and clearing costs in total cost of revenues. These fees were previously presented as a net operating expense. These changes were made to conform to current presentation and the changes have been reflected in all periods presented.

Segment information

The Company previously operated as a single reportable business segment. As a result of the Bats acquisition on February 28, 2017 (Note 3), the Company is reporting five business segments: Options, U.S. Equities, Futures, European Equities, and Global FX, which is reflective of how the Company's chief operating decision-maker reviews and operates the business (Note 15). This change has been reflected in all periods presented.

Recent Accounting Pronouncements - Adopted

In the first quarter of 2017, the Company adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). Under the ASU, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company applied the five-step method outlined in the ASU to all revenue streams and elected the full retrospective implementation method. The additional disclosures required by the ASU have been included in Note 2.

In the first quarter of 2017, the Company adopted ASU 2016-09, Compensation — Stock Compensation. This ASU simplifies several aspects of the accounting for stock-based payment transactions, including the recognition of excess tax benefits and deficiencies, the classification of those excess tax benefits on the statement of cash flows, an accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification and the classification of those taxes paid on the statement of cash flows. The Company has chosen to use the actual forfeiture rate and applied the prospective transition method for excess tax benefits and employees taxes paid. As of the adoption date, the Company did not have any awards classified as a liability under the previous guidance.

In the first quarter of 2017, the Company adopted ASU 2016-16, Accounting for Income Taxes:Intra-Entity Transfers of Assets other than Inventory. The ASU requires that the income tax impact of intra-entity sales and transfers of property, except for inventory, be recognized when the transfer occurs. The Company applied the full retrospective application which did not result in any impact to the financial statements.

Recent Accounting Pronouncements - Issued, not yet Adopted

In May 2017, the FASB issued ASU 2017-09, Compensation - Stock Compensation (Topic 718) that provides additional guidance around which changes to a share-based payment award requires an entity to apply modification accounting. Specifically, an entity is to account for the effects of a modification, unless all of the following are satisfied: (1) the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the original award immediately before the original award is modified; (2) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; and (3) the classification of the modified award as an equity instrument or as a liability instrument is the same as the classification of the original award immediately before the original award is modified. For public entities, the update is effective beginning after December 15, 2017. Early adoption is permitted. The Company is in the process of evaluating this guidance and assessing the impact the ASU could have on the consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, Compensation - Retirement Benefits (Topic 715). This ASU requires an employer to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. For public entities, the update is effective beginning after December 15, 2017. Early adoption is permitted. The Company is in the process of evaluating this guidance and assessing the impact the ASU could have on the consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805)-Clarifying the Definition of a Business. ASU No. 2017-01 clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. There are three elements of a business: inputs, processes, and outputs. While an integrated set of assets and activities (collectively, a “set”) that is a business usually has outputs, outputs are not required to be present. Additionally, all of the inputs and processes that a seller uses in operating a set are not required if market participants can acquire the set and continue to produce outputs. ASU No. 2017-01 provides a screen to determine when a set is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated. If, however, the screen is not met, then the amendments in this ASU (1) require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and (2) remove the evaluation of whether a market participant could replace missing elements. Finally, the amendments in this ASU narrow the definition of the term “output” so that it is consistent with the manner in which outputs are described in Topic 606 - Revenue from Contracts with Customers. For public entities, the update is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2018. Early adoption is permitted under certain circumstances. The Company is in the process of evaluating this guidance and assessing the impact the ASU could have on the consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This ASU simplifies the manner in which an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. In computing the implied fair value of goodwill under Step 2, an entity, prior to the amendments in ASU No. 2017-04, had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities, including unrecognized assets and liabilities, in accordance with the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. However, under this ASU, an entity should (1) perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, and (2) recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, with the understanding that the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, ASU No. 2017-04 removes the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails such qualitative test, to perform Step 2 of the goodwill impairment test. For public entities, the update is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is in the process of evaluating this guidance and assessing the impact the ASU could have on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases. This update requires a lessee to recognize on the balance sheet a liability to make lease payments and a corresponding right-of-use asset. The guidance also requires certain qualitative and quantitative disclosures about the amount, timing and uncertainty of cash flows arising from leases. This update is effective for annual and interim periods beginning after December 15, 2018. Early adoption is permitted. The Company is in the process of evaluating this guidance and assessing the impact the ASU could have on the consolidated financial statements.

In September 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230) — Classification of Certain Cash Receipts and Cash Payments (a consensus of the FASB Emerging Issues Task Force). ASU No. 2016-15 addresses eight specific cash flow issues in an effort to reduce diversity in practice: (1) debt prepayment or debt extinguishment costs; (2) settlement of zero-coupon bonds; (3) contingent consideration payments made after a business combination; (4) proceeds from the settlement of insurance claims; (5) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; (6) distributions received from equity method investees; (7) beneficial interests in securitization transactions; and (8) separately identifiable cash flows and application of the predominance principle. The ASU is effective for the Company for fiscal years beginning after December 15, 2017, and for the interim periods within that fiscal year. Early adoption is permitted, including adoption during an interim period. The Company is in the process of evaluating this guidance and assessing the impact the ASU could have on the consolidated financial statements.

2. REVENUE RECOGNITION

As of January 1, 2017, the Company adopted ASU 2014-09 Revenue from Contracts with Customers - Topic 606 and all subsequent ASUs that modified ASC 606. The Company has elected to apply the ASU and all related ASUs retrospectively to each prior reporting period presented. The implementation of the guidance had no material impact on the measurement or recognition of revenue of prior periods, however, additional disclosures have been added in accordance with the ASU.

The main types of revenue contracts are:

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Transaction fees - Transaction fees represent fees charged by the Company for the performance obligation of executing a trade on its markets. These fees can be variable based on trade volume tiered discounts, however, as all tiered discounts are calculated monthly, the actual discount is recorded on a monthly basis. Transaction fees, as well as any tiered volume discounts, are calculated and billed monthly in accordance with the Company's published fee schedules. Transaction fees are recognized across all segments. The Company also pays liquidity payments to customers based on its published fee schedules. The Company uses these payments to improve the liquidity on its markets and therefore recognizes those payments as a cost of revenue.

- Access fees - Access fees represent fees assessed for the opportunity to trade, including fees for trading-related functionality across all segments. These fees are billed monthly in accordance with the Company's published fee schedules and recognized on a monthly basis when the performance obligation is met. There is no remaining performance obligation after revenue is recognized.

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- Exchange services and other fees - To facilitate trading, the Company offers technology services, terminal and other equipment rights, maintenance services, trading floor space and telecommunications services. Trading floor and equipment rights are generally on a month-to-month basis. Facilities, systems services and other fees are generally monthly fee-based, although certain services are influenced by trading volume or other defined metrics, while others are based solely on demand. All fees associated with the trading floor are recognized in the Options segment.
- Market data fees - Market data fees represent the fees received by the Company from the U.S. tape plans and fees charged to customers for proprietary market data. Fees from the U.S. tape plans are collected monthly based on published fee schedules and distributed quarterly to the U.S. exchanges based on a known formula. A contract for proprietary market data is entered into and charged on a monthly basis in accordance with the Company's published fee schedules as the service is provided. Both types of market data are satisfied over time, and revenue is recognized on a monthly basis as the customer receives and consumes the benefit as the Company provides the data. U.S. tape plan market data is recognized in the U.S. Equities and Options segments. Proprietary market data fees are recognized across all segments.
- Regulatory fees - There are two types of regulatory fees that the Company recognizes. The first type represents fees collected by the Company to cover the Section 31 fees charged to the Exchanges by the SEC. The fees charged to customers are based on the fee set by the SEC per notional value of the transaction executed on the Company's U.S. securities markets. These fees are calculated and billed monthly and are recognized in the U.S. Equities and Options segments. As the Exchanges are responsible for the ultimate payment to the SEC, the exchanges are considered the principal in these transactions. Regulatory fees also includes the options regulatory fee (ORF) which supports the Company's regulatory oversight function in the Options segment and other miscellaneous regulatory fees.
- Other revenue - Other revenue primarily includes revenue from various licensing agreements, all fees related to the trade reporting facility operated in the European Equities segment, and revenue associated with advertisements through the Company's website.

All revenue recognized in the income statement is considered to be revenue from contracts with customers. The following table depicts the disaggregation of revenue according to product line and segment (in millions):

	Options	U.S. Equities	Futures	European Equities	Global FX	Corporate Items and Eliminations	Total
Three months ended June 30, 2017							
Transaction fees	$ 181.2	$ 208.3	$ 34.0	$ 20.8	$ 9.6	$ —	$ 453.9
Access fees	13.9	12.7	0.5	1.8	0.8	—	29.7
Exchange services and other fees	10.1	5.9	2.2	1.2	0.5	—	19.9
Market data fees	10.5	33.9	0.8	2.8	—	—	48.0
Regulatory fees	14.7	68.6	—	—	—	—	83.3
Other revenue	3.1	1.7	—	1.0	—	0.2	6.0
	$ 233.5	$ 331.1	$ 37.5	$ 27.6	$ 10.9	$ 0.2	$ 640.8
Timing of revenue recognition							
Services transferred at a point in time	$ 199.0	$ 278.6	$ 34.0	$ 21.8	$ 9.6	$ 0.2	$ 543.2
Services transferred over time	34.5	52.5	3.5	5.8	1.3	—	97.6
	$ 233.5	$ 331.1	$ 37.5	$ 27.6	$ 10.9	$ 0.2	$ 640.8
Three months ended June 30, 2016							
Transaction fees	$ 99.8	$ —	$ 27.8	$ —	$ —	$ —	$ 127.6
Access fees	13.0	—	0.2	—	—	—	13.2

Exchange services and other fees	9.4	—	2.0	—	—	—	11.4
Market data fees	7.4	—	0.8	—	—	—	8.2
Regulatory fees	9.2	—	—	—	—	—	9.2
Other revenue	2.9	—	0.6	—	—	—	3.5
	$ 141.7	$ —	$ 31.4	$ —	$ —	$ —	$ 173.1

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	Options	U.S. Equities	Futures	European Equities	Global FX	Corporate Items and Eliminations	Total
Six months ended June 30, 2017							
Transaction fees	$ 321.4	$ 285.0	$ 62.7	$ 28.0	$ 13.2	$ —	$ 710.3
Access fees	26.2	16.9	1.0	2.4	1.0	—	47.5
Exchange services and other fees	23.0	7.9	2.2	1.6	0.6	—	35.3
Market data fees	20.9	45.0	0.8	3.7	0.1	—	70.5
Regulatory fees	27.4	94.2	—	—	—	—	121.6
Other revenue	7.3	2.3	0.7	1.2	—	0.3	11.8
	$ 426.2	$ 451.3	$ 67.4	$ 36.9	$ 14.9	$ 0.3	$ 997.0
Timing of revenue recognition							
Services transferred at a point in time	$ 356.1	$ 381.5	$ 63.4	$ 29.2	$ 13.2	$ 0.3	$ 843.7
Services transferred over time	70.1	69.8	4.0	7.7	1.7	—	153.3
	$ 426.2	$ 451.3	$ 67.4	$ 36.9	$ 14.9	$ 0.3	$ 997.0
Six months ended June 30, 2016							
Transaction fees	$ 204.3	$ —	$ 49.5	$ —	$ —	$ —	$ 253.8
Access fees	26.0	—	0.4	—	—	—	26.4
Exchange services and other fees	18.9	—	3.9	—	—	—	22.8
Market data fees	14.6	—	1.6	—	—	—	16.2
Regulatory fees	18.3	—	—	—	—	—	18.3
Other revenue	5.5	—	0.6	—	—	—	6.1
	$ 287.6	$ —	$ 56.0	$ —	$ —	$ —	$ 343.6

Contract liabilities for the period ended June 30, 2017 primarily represent prepayments of transaction fees and certain access and market data fees to the Exchanges. The revenue recognized from contract liabilities and the remaining balance is shown below (in millions):

	January 1, 2017	Cash Additions	Revenue Recognition	June 30, 2017
Liquidity provider sliding scale (1)	$ —	$ 12.0	$ (6.0)	$ 6.0
Other, net	3.1	11.0	(5.8)	8.3
Total deferred revenue	$ 3.1	$ 23.0	$ (11.8)	$ 14.3

(1) Liquidity providers are eligible to participate in the sliding scale program, which involves prepayment of transaction fees, and to receive reduced fees based on the achievement of certain volume thresholds within a calendar month. These transaction fees are amortized and recorded ratably as the transactions occur over the period.

3. ACQUISITIONS

Bats Global Markets, Inc.

On February 28, 2017, pursuant to the Agreement and Plan of Merger, dated as of September 25, 2016 (the “Merger Agreement”), by and among CBOE Holdings, Inc., a Delaware corporation (“CBOE Holdings”), Bats Global Markets, Inc., a Delaware corporation (“Bats”), CBOE Corporation, a Delaware corporation and a wholly-owned subsidiary of CBOE Holdings (“Merger Sub”), and CBOE V, LLC, a Delaware limited liability company and a wholly-owned subsidiary of CBOE Holdings (“Merger LLC”), CBOE Holdings completed the merger (the “Merger”) of Merger Sub with and into Bats and the subsequent

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merger (the "Subsequent Merger") of Bats with and into Merger LLC. As a result of the Merger, Bats became a wholly-owned subsidiary of CBOE Holdings.

The acquisition-date fair value of the consideration transferred totaled $4.0 billion, which consisted of the following (in millions):

Cash	$955.5
Common stock issued	2,387.3
Equity awards issued	37.4
	3,380.2
Debt extinguished	580.0
Total consideration paid	$3,960.2

As a result of the Merger, each share of voting common stock of Bats, par value of $0.01 per share ("Bats Voting Common Stock"), and each share of non-voting common stock of Bats, par value of $0.01 per share ("Bats Non-Voting Common Stock" and, together with the Bats Voting Common Stock, "Bats Common Stock"), issued and outstanding immediately prior to the effective time of the Merger (the "Effective Time") (other than shares held by CBOE Holdings, Bats or any of their respective subsidiaries, shares held by any holder of Bats Common Stock who was entitled to demand and properly demanded appraisal of such shares under Delaware law and unvested restricted shares of Bats Common Stock granted under any Bats equity incentive plan (all such shares described in this parenthetical, "Excluded Shares")) was converted into, at the election of the holder of such share, either (i) 0.3201 of a share of common stock, par value of $0.01 per share, of CBOE Holdings ("CBOE Holdings Common Stock") and $10.00 in cash (the "Mixed Consideration"), (ii) $14.99 in cash and 0.2577 of a share of CBOE Holdings Common Stock (the "Cash Election Consideration") or (iii) 0.4452 of a share of CBOE Holdings Common Stock (the "Stock Election Consideration"). Pursuant to the terms of the Merger Agreement, the Cash Election Consideration and Stock Election Consideration payable in the Merger were calculated based on the volume-weighted average price (rounded to four decimal places) of shares of CBOE Holdings Common Stock on The Nasdaq Stock Market LLC for the period of ten consecutive trading days ended on February 24, 2017, which was $79.9289. The Cash Election Consideration and the Stock Election Consideration were subject to automatic adjustment, as described in the Merger Agreement and in the definitive joint proxy statement/prospectus dated December 9, 2016, filed by CBOE Holdings with the SEC on December 12, 2016, as amended and supplemented from time to time (the "Prospectus"), to ensure that the total amount of cash paid and the total number of shares of CBOE Common Stock issued in the Merger were the same as what would have been paid and issued if all holders of Bats Common Stock received the Mixed Consideration at the Effective Time.

The amounts in the table below represent the allocation of the purchase price and are subject to revision during the remainder of the measurement period, a period not to exceed twelve months from the acquisition date. Adjustments to the provisional values during the measurement period will be recorded in the reporting period in which the adjustment amounts are determined. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date (in millions):

Cash and cash equivalents	$130.1
Accounts receivable	117.8
Financial investments	66.0
Property and equipment	21.8
Other assets	32.8
Goodwill	2,649.3
Intangibles	2,000.0
Accounts payable	(33.7)

Accrued expenses	(26.4)
Section 31 fee payable	(143.6)
Income tax payable	(52.8)
Deferred tax liability	(718.5)
Other liabilities	(82.6)
	$3,960.2

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For tax purposes, no tax deductible goodwill was generated as a result of this acquisition. Goodwill was assigned to the Options, U.S. Equities, European Equities, and Global FX segments as further described in Note 9 and is attributable to the expansion of asset classes, broadening of geographic reach, and expected synergies of the combined workforce, products and technologies of the Company and Bats. The intangible assets were assigned to the Options, U.S. Equities, European Equities, and Global FX segments in the following manner and will be amortized over the following useful lives:

(amounts in millions)	Options	U.S. Equities	European Equities	Global FX	Useful life
Trading registrations and licenses	$ 95.5	$ 572.7	$ 171.8	$ —	indefinite
Customer relationships	37.1	222.9	160.0	140.0	20 years
Market data customer relationships	53.6	322.0	60.0	64.4	15 years
Technology	22.5	22.5	22.5	22.5	7 years
Trademarks and trade names	1.0	6.0	1.8	1.2	2 years
Goodwill	226.4	1,736.4	419.3	267.2	
	$ 436.1	$ 2,882.5	$ 835.4	$ 495.3	

There were no goodwill or intangible assets assigned to the Futures segment as a result of this transaction as Bats did not operate a Futures business and no synergies are attributable to this segment.

The fair value of accounts receivable acquired was $117.8 million. The gross amount of accounts receivable was $118.0 million of which $0.2 million was deemed uncollectable.

The Company expensed $4.7 million of acquisition-related costs expensed during the three months ended June 30, 2017 that included $3.4 million of compensation-related costs and $1.3 million of professional fees. These costs are included in acquisition-related costs in the condensed consolidated statements of income.

The Company expensed $69.9 million of acquisition-related costs during the six months ended June 30, 2017 that included $33.5 million of compensation-related costs, $20.6 million of professional fees, $14.9 million of an impairment of capitalized data processing software, and $0.9 million of facilities expenses. These costs are included in acquisition-related costs in the condensed consolidated statements of income.

The amounts of revenue, operating income and net income of Bats are included in the Company's condensed consolidated statements of income from the acquisition date to the three and six months ended June 30, 2017 and are as follows (in millions):

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Revenue	$ 446.0	$ 605.8
Operating income	28.6	26.6
Net income	18.3	17.6

The financial information in the table below summarizes the combined results of operations of the Company and Bats, on a pro forma basis, as though the companies had been combined as of January 1, 2016. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the period presented. Such pro forma financial information is based on the historical financial statements of the Company and Bats. This pro forma financial information is based on estimates and assumptions that have been made solely for purposes of developing such pro forma information, including, without limitation, preliminary purchase accounting adjustments. The pro forma financial information does not reflect any synergies or operating cost reductions that may be achieved from the combined operations. The pro forma financial information combines the historical results for the Company and Bats for the three months ended June 30, 2016 and six months ended June 30, 2017 and 2016 in the following table (in millions, except per share amounts):

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	Three Months Ended June 30,	Six Months Ended June 30,	
	2016	2017	2016
Revenue	$ 639.0	$ 1,269.9	$ 1,320.6
Operating income	100.9	229.4	207.9
Net income allocated to common stockholders	59.4	157.3	116.4
Earnings per share:			
Basic	$ 0.53	$ 1.40	$ 1.04
Diluted	$ 0.53	$ 1.40	$ 1.03

The supplemental 2017 and 2016 pro forma amounts have been calculated after applying the Company's accounting policies and adjusting the results to reflect the additional amortization that would have been charged assuming the adjusted fair values of acquired intangible assets had been applied on January 1, 2017 and on January 1, 2016. The supplemental 2017 pro forma financial information includes pro forma adjustments of $93.3 million for acquisition-related costs, such as fees to investment bankers, attorneys, accountants and other professional advisors, as well as severance to employees.

4. SEVERANCE

Subsequent to the Bats acquisition, the Company determined that certain employees' positions were redundant. As such, the Company communicated employee termination benefits to these employees.
The following is a summary of the employee termination benefits recognized within acquisition costs in the Corporate Items and Eliminations unit in the condensed consolidated statements of income (in millions):

	Employee Termination Benefits
Balance at December 31, 2016	$ 0.4
Termination benefits accrued	20.3
Termination payments made	(15.2)
Balance at June 30, 2017	$ 5.5

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5. INVESTMENTS

As of June 30, 2017 and December 31, 2016, the Company's investments were comprised of the following (in millions):

	June 30, 2017	December 31, 2016
Equity Method:		
Investment in Signal Trading Systems, LLC	$12.6	$ 12.4
Investment in EuroCCP	8.7	—
Total equity method investments	21.3	12.4
Cost Method:		
Investment in OCC	30.3	30.3
Other cost method investments	30.4	30.2
Total cost method investments	60.7	60.5
Total Investments	$82.0	$ 72.9

Equity Method

Equity method investments include investments in Signal Trading Systems, LLC ("Signal") and EuroCCP, a Dutch domiciled clearing house. EuroCCP is one of three interoperable central counterparties, or CCPs, used to clear trades conducted on Bats Europe's markets. BTL owns 20% of EuroCCP and can exercise significant influence over the entity as an equal shareholder with four other investors.

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Cost method

The carrying amount of cost method investments totaled $60.7 million as of June 30, 2017 and $60.5 million as of December 31, 2016, and is included in investments in the condensed consolidated balance sheets. The Company accounts for these investments using the cost-method of accounting primarily as a result of the Company's inability to exercise significant influence as the Company is a smaller shareholder of these investments. As of June 30, 2017, cost method investments primarily reflect a 20% investment in OCC and minority investments in American Financial Exchange, CurveGlobal and Eris Exchange Holdings, LLC.

In December 2014, OCC announced a newly-formed capital plan. The OCC capital plan was designed to strengthen OCC's capital base and facilitate its compliance with proposed SEC regulations for Systemically Important Financial Market Utilities ("SIFMUs") as well as international standards applicable to financial market infrastructures. On February 26, 2015, the SEC issued a notice of no objection to OCC's advance notice filing regarding the capital plan, and OCC and OCC's existing exchange stockholders, which include CBOE, subsequently executed agreements effecting the capital plan. Under the plan, each of OCC's existing exchange stockholders agreed to contribute its pro-rata share, based on ownership percentage, of $150 million in equity capital, which would increase OCC's shareholders' equity, and to provide its pro rata share in replenishment capital, up to a maximum of $40 million per exchange stockholder, if certain capital thresholds are breached. OCC also adopted policies under the plan with respect to fees, customer refunds, and stockholder dividends, which envision an annual dividend payment to the exchange stockholders equal to the portion of OCC's after-tax income that exceeds OCC's capital requirements after payment of refunds to OCC's clearing members (with such customer refunds generally to constitute 50% of the portion of OCC's pre-tax income that exceeds OCC's capital requirements). On March 3, 2015, in accordance with the plan, CBOE contributed $30 million to OCC. On March 6, 2015, OCC informed CBOE that the SEC, acting though delegated authority, had approved OCC's proposed rule filing for the capital plan. The SEC approval order was stayed on March 13, 2015 automatically as a result of the initiation of petitions to review the order. On September 10, 2015, the SEC issued orders that discontinued the automatic stay of the approval order and granted the petitions for the SEC to review the approval order. On September 15, 2015, the petitioners filed motions to reinstitute the automatic stay. On February 11, 2016, based on a de novo review of the entire record, the SEC approved the proposed rule change implementing OCC's capital plan and dismissed the petitions for review and the petitioners' motions. Certain petitioners subsequently appealed the SEC approval order for the OCC capital plan to the U.S. Court of Appeals for the D.C. Circuit and moved to stay the SEC approval order. On February 23, 2016, the Court denied the petitioners' motion to stay. The appeal of the SEC approval order remains pending. CBOE's contribution has been recorded under investments in the condensed consolidated balance sheets as of June 30, 2017.

6. FINANCIAL INVESTMENTS

The Company’s financial investments with original or acquired maturities longer than three months, but that mature in less than one year from the condensed consolidated balance sheet date and any money market funds that are considered cash and cash equivalents are classified as current assets and are summarized as follows (in millions):

	June 30, 2017			
	Cost basis	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
U.S. Treasury securities	$110.1	—	$ (0.2)	$ 109.9
Trading securities:				
U.S. Treasury securities	0.5	—	—	0.5
Money market funds:	31.5	—	—	31.5

Total	$142.1	$ —	$ (0.2)	$ 141.9

	December 31, 2016			
	Cost basis	Unrealized gains	Unrealized losses	Fair value
Money market funds	$67.5	—	—	$ 67.5
Total	$67.5	$ —	$ —	$ 67.5

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7. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following as of June 30, 2017 and December 31, 2016 (in millions):

	June 30, 2017	December 31, 2016
Construction in progress	$ 8.9	$ 0.2
Building	77.3	77.0
Furniture and equipment	162.0	138.8
Total property and equipment	248.2	216.0
Less accumulated depreciation	(172.6)	(160.1)
Total property and equipment, net	$ 75.6	$ 55.9

Depreciation expense using the straight-line method was $8.7 million and $6.0 million for the three months ended June 30, 2017 and 2016, respectively, and $15.2 million and $11.9 million for the six months ended June 30, 2017 and 2016, respectively.

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8. OTHER ASSETS, NET

Other assets, net consisted of the following as of June 30, 2017 and December 31, 2016 (in millions):

	June 30, 2017	December 31, 2016
Software development work in progress	$ 7.8	$ 12.3
Data processing software	217.7	222.6
Less accumulated depreciation	(180.0)	(172.0)
Data processing software, net	45.5	62.9
Other assets (1)	11.1	9.8
Data processing software and other assets, net	$ 56.6	$ 72.7

(1) At December 31, 2016, other assets included $6.2 million of deferred financing costs and $3.5 million of deferred tax assets. The deferred financing costs were reclassified in 2017 and recorded as a reduction of long-term debt. At June 30, 2017, the majority of the balance included long-term prepaid assets and notes receivable.

Amortization expense related to data processing software was $4.4 million and $5.8 million for the three months ended June 30, 2017 and 2016, respectively, and $8.5 million and $11.4 million for the six months ended June 30, 2017 and 2016, respectively.

9. GOODWILL AND INTANGIBLE ASSETS, NET

The following table presents the details of goodwill by segment (in millions):

	Options	U.S. Equities	European Equities	Global FX	Corporate Items and Eliminations	Total
Balance as of December 31, 2016	$ 7.7	$ —	$ —	$ —		