

Regulatory Circular #RG04-41

Date: March 26, 2004

To: All Designated Primary Market Makers (DPMs)

From: Equity Market Performance Committee and
Marketing Fee Oversight Committee

Re: Submission of Payment Data to the Exchange

A number of orderflow firms have expressed concern that CBOE's schedule for disbursing payment is, in some instances, considerably behind the schedules of other exchanges that also facilitate a payment for orderflow program. To place CBOE on the same competitive plane as the other exchanges and to improve the timeliness of disbursement, the Equity Market Performance Committee and the Marketing Fee Oversight Committee have determined that effective April 1, 2004: 1) The Exchange will provide all DPMs with their respective payment trade data on or before the seventh day of the month following the month for which payment is to be made; and 2) based on that data, all DPMs shall submit their updated payment instructions to the Exchange no later than the 15th day of that same month. For example, if March is the month for which payment is to be made, the Exchange will, on or before April 7, 2004 provide each DPM with its payment related trade data, and in return, each DPM shall submit their payment instructions to the Exchange on or before April 15, 2004. DPMs who fail to submit their payment instructions by the 15th of each month are advised that the Exchange will process the previous month's data based upon the last rate submitted by the DPM.

Questions regarding this schedule or any other questions regarding Payment for Orderflow may be directed to Daniel Hustad at (312) 786-7715 or to Ken Bellavia at (312) 786-8702.