



Regulatory Circular RG 09-147

Date: December 28, 2009

To: Members

From: Finance and Administration

Subject: **2010 Liquidity Provider Transaction Fee Sliding Scale,
2010 Firm Proprietary Transaction Fee Sliding Scale and
2010 Fee Changes**

2010 Liquidity Provider Sliding Scale

The Liquidity Providers (LP) Transaction Fee Sliding Scale program was launched in 2007 for LPs. A LP's rate per contract is reduced if certain volume thresholds are reached in a month. Contracts traded in all products are eligible for the plan. The sliding scale is effective for all LPs (MM, DPM, eDPM and LMM).

The 2010 LP transaction fee sliding scale is the same as the LP transaction fee sliding scale in effect during 2009.

Tiers	Contracts per Month	Rate
First	First 85,000	20 cents
Second	Next 1,265,000	18 cents
Third	Next 2,075,000	15 cents
Fourth	Next 2,050,000	10 cents
Fifth	Next 5,025,000	3 cents
Sixth	Above 10,500,000	1 cent

Prepayment Incentives - In order to capture the lower rates in tiers three through six, a LP must prepay transaction fees as noted below:

- To be eligible to participate in the sliding scale above 1.35 million contracts per month, a LP must prepay their entire fees for the first two levels of the sliding scale for the entire year (\$2,936,400).
- Another incentive option is to prepay tiers one through four for the entire year to capture a \$685,000 (7.5%) prepayment discount. After deducting the discount, a net payment amount of \$8,446,400 must be paid in early January 2010.

Prepayment elections and wired payments must take place during the period January 4 through January 8, 2010.

Member Firm Proprietary Orders Transaction Fee Sliding Scale

The 2010 proprietary orders (F origin code) transaction fee sliding scale is the **same** as the proprietary orders transaction fee sliding scale in effect during 2009. Joint Back-Office (JBO) firms are not eligible for the sliding scale.

Tiers	Contracts per Month	Rate
First	First 450,000	20 cents
Second	Next 225,000	15 cents
Third	Next 175,000	10 cents
Fourth	Next 100,000	5 cents
Fifth	Above 950,000	2 cents

2010 Fee Changes

The Financial Planning Committee recommended and the Board of Directors approved the 2010 budget on December 10, 2009. Included in the budget are various fee eliminations, additions and modifications. Subject to SEC approval, the changes summarized below will be effective January 4, 2010.

The following fees or fee waivers were *eliminated* from the Fee Schedule:

- 1) **Customer Complex Order Taking Liquidity from the Complex Order Book** – The equities and QQQQ customer fee of 18 cents per contract when taking liquidity from the COB (assessed to the largest leg) is eliminated.
- 2) **Member Firm Proprietary Sliding Scale - License Fee Add-On of \$0.04** – Due to CBOE's obligation to pay license fees on certain products, the Exchange assessed a 10 cent per contract license fee (a total of 10 cents per contract less any surcharge fees already assessed) on all licensed products except MNX, NDX and RUT options when a firm reached the fifth tier of the sliding scale. The fee is being eliminated to simplify the Fee Schedule.
- 3) **Hybrid Electronic Quoting Fee** – The Hybrid Electronic Quoting Fee by acronym assessed or credited to all liquidity providers based on a bid and offer fee table is eliminated. Liquidity providers will continue to be charged \$450 per month as member dues instead of as a Hybrid Electronic Quoting Fee.
- 4) **Cabinet Trade Fee Waiver** – The Exchange has eliminated the Cabinet Trade Fee Waiver. Regular transaction fees will be assessed on cabinet trades.
- 5) **Trade Processing Services** – The following trade processing services fees have been eliminated:
 - a. Electronic Output – The Exchange has eliminated the fees for Information Data, Time and Sales Data and Brokerage Reports (monthly and daily).
 - b. Electronic Input – The Exchange has eliminated the 5 cents per record fee for Non-CBOE handheld terminals.
 - c. Market Maker Paper Ticket Fees.
- 6) **FOCUS Filing Fee** – The Exchange has eliminated both the electronic and paper annual filing fees.

- 7) **Floor Brokerage Payment Program** – The fifty cent per credit for payments to floor brokers has been eliminated.

The following transaction fees have been *modified or added* to the Fees Schedule:

- 8) **Strategies Monthly Fee Cap** – The Exchange will reduce the monthly transaction fees cap to \$25,000 from \$50,000 for dividend strategies, merger strategies and short stock interest strategies.

9) **ETF and HOLDRs Options**

- a. **Fee Changes for Broker-Dealer** - The Exchange implemented fee changes to the Broker-Dealer Electronic Fee Schedule for IWM and QQQQ to create consistent fees on similar products and to simplify the fee structure for ETF and HOLDRs Options.
- i. IWM Increase from 25 cents to 45 cents
 - ii. QQQQ Increase from 25 cents to 45 cents

As a result of the above fee changes, the Fee Schedule for ETF and HOLDRs options as of January 4, 2010 is as follows:

<i>ETF and HOLDRs Options</i>	<i>Per Contract</i>
Customer	
QQQQ of any order size	\$0.00
All other ETF and HOLDRs:	
Order Size of 99 or less	\$0.00
Order Size of 100 or more	\$0.18
Professional	\$0.20
Liquidity Provider and Member Firm	\$0.20
Broker-Dealer	
Manual	\$0.25
Electronic	\$0.45
AIM Executions	\$0.20
Linkage Orders	\$0.30
CFLEX Surcharge Fee	\$0.10

A complete Fees Schedule will be posted on the Exchange website in January. See Fees Schedule for complete details. The Liquidity Provider Sliding Scale and Member Firm Proprietary Sliding Scale are fully described in the Fees Schedule.

10) **Cash Settled Index Options -**

- a. **Fee Changes for Customer, Professional and Broker-Dealer** - The Exchange has implemented fee changes to the Customer, Professional and Broker-Dealer Fee Schedule to create consistent fees on similar products and to simplify the fee structure for Cash Settled Index Options. Changes to Customer per contract fees for OEX, XEO and MVR result in consistent fees for proprietary and licensed products. Similarly, the recommended changes for Broker-Dealer Manual and Electronic for OEX and XEO, MVR, DVS and VIX result in consistent per contract fees.
- i. Customer
 - 1. OEX and XEO Increase from 30 cents to 40 cents
 - 2. MVR Decrease from 40 cents to 18 cents

- ii. Professional
 - 3. OEX and XEO Increase to 40 cents
- iii. Broker-Dealer
 - 4. Manual
 - a. OEX and XEO Increase from 30 cents to 40 cents
 - b. VIX and DVS Increase from 25 cents to 40 cents
 - 5. Electronic
 - a. OEX and XEO Increase from 30 cents to 40 cents
 - b. MVR Increase from 25 cents to 45 cents
 - c. VIX and DVS Decrease from 45 cents to 40 cents
- b. **Surcharge Fee on SPX, OEX, DVS, XEO and VIX** - The surcharge fee on SPX, OEX, DVS and XEO is increased from 6 cents per contract to 10 cents per contract. The surcharge fee on VIX is increased from 6 cents per contract to 8 cents per contract. Customer orders are not assessed a surcharge fee.
- c. **VIX Floor Brokerage Fee** – Floor Brokerage Fees for VIX will be added to the Fees Schedule., similar to SPX and OEX. The rate is 2 cents per contract; however crossed orders are assessed a reduced rate of 1 cent per contract.
- d. **VIX Customer Large Trade Discount** – Customer orders will only be assessed transaction fees on the first 5,000 contracts per order. The prior cap was 7,500 contracts per order.

As a result of the above fee changes, the fee schedule for Cash Settled Index Options as of January 4, 2010 is as follows:

<i>CBOE Proprietary Cash Settled Index Options</i> SPX, VIX, OEX, DVS, DXL and XEO	<i>Per Contract</i>
Customer	
SPX, premium > = \$1	\$0.44
SPX, premium < \$1	\$0.35
VIX, OEX, DVS, DXL and XEO	\$0.40
Professional	\$0.40
Liquidity Provider and Member Firm	\$0.20
Broker-Dealer	\$0.40
Linkage Orders	\$0.30
CFLEX Surcharge Fee	\$0.10
Floor Brokerage Fee	
SPX, OEX, DVS, DXL and XEO (crossed orders \$0.02)	\$0.04
VIX (crossed orders \$0.01)	\$0.02
Surcharge Fee (customer orders not assessed)	
SPX, OEX, DVS, DXL and XEO	\$0.10
VIX	\$0.08

<i>CBOE Licensed and Other Cash Settled Index Options</i> DJX, MNX, RUT, NDX, XSP, MVR, Other	<i>Per Contract</i>
Customer	\$0.18
Professional	\$0.20
Liquidity Provider and Member Firm	\$0.20
Broker-Dealer	
Manual	\$0.25
Electronic	\$0.45
AIM Executions	\$0.20
Linkage Orders	\$0.30
CFLEX Surcharge Fee	\$0.10
Surcharge Fee	
DJX (customer orders not assessed)	\$0.10
MNX, RUT, NDX (customer orders not assessed)	\$0.15

A complete Fees Schedule will be posted on the Exchange website in January. See Fees Schedule for complete details. The Liquidity Provider Sliding Scale and Member Firm Proprietary Sliding Scale are fully described in the Fees Schedule.

11) Membership Application Fees – In an effort to recover CBOE’s cost, particularly with respect to renewals and change in status, Non-Member Customer Business fee increases from \$1,000 to \$2,500, Lessor Firm Application Fee increases from \$1,000 to \$2,000, and Renewal/Change of Status fee increases from \$250 to \$500.

Questions can be directed to Cheryl Ahrens at 312-786-7450, (ahrens@cboe.com), Don Patton at (312) 786-7026 (patton@cboe.com), John Mavindidze at (312) 786-7689 (mavindidze@cboe.com) or Colleen Catalano at 312-786-8390 (catalano@cboe.com).