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## Regulatory Circular RG98-31

**Date:** March 23, 1998  
**To:** All Members and Member Organizations  
**From:** Market Operations Department  
**Re:** Rule 2.30, Fee for Delayed Submission of Trade Information

In July 1991, CBOE implemented Rule 2.30 which was intended to encourage timely submission of in-person market maker trades to the Exchange's Trade Match system. Under this program, any Market Maker or Market Maker clearing firm that fails to submit at least 80% of a day's trades within two hours is assessed additional fees. During the first several years of the program, the Exchange experienced commendable progress, significantly increasing the speed at which trades were submitted. Since then, improvements to trade submission have slowed, even taking hand held terminals into consideration.

In order to encourage the timely submission of all trade activity to the Exchange's Trade Match system, a revision is being made to Rule 2.30 to include all trades executed (Retail and Market Maker) and to reduce the amount of time allowed for the entry of trades. The following changes to Rule 2.30 have been approved by Floor Directors, the Clearing Procedure and Financial Planning Committees and are awaiting approval by the Securities and Exchange Commission ("SEC").

**Pending SEC approval, effective June 1, 1998, any member or firm that fails to submit at least 80% of trades within 90 minutes of execution will be assessed an additional fee.** The 90 minute input requirement will decrease based on the following schedule:

Effective Date	Maximum Time Permitted for Trade Submission
<b>June 1, 1998 .....</b>	<b>90 minutes</b>
<b>September 1, 1998 .....</b>	<b>75 minutes</b>
<b>December 1, 1998 .....</b>	<b>60 minutes</b>

Fees will be incurred on a daily basis and drafted monthly through the Options Clearing Corporation via CBOE's Integrated Billing system. Member fees will be drafted from the firm that Exchange fees are currently received. The fees will be calculated according to the following formulas:

### **Member Fee Calculation (Daily)**

1. Determine the percentage of trades received on-time (initially, trades received within 90 minutes divided by total number of trades) for each member, as designated by the executing broker acronym on the trade match record.
2. If the daily on-time percentage is below 80%, determine a fee to the member as follows:  
$$\text{Fee} = 2 \text{ cents} * (1 - \text{on-time percent}) * \text{total contracts}$$

### **Firm Fee Calculation (Daily)**

1. Determine the percentage of trades received on-time (initially, trades received within 90 minutes divided by total number of trades) for each firm, as designated by the executing firm number on the trade match record.
2. If the daily on-time percentage is below 80% determine fee as follows:

$$\text{Fee} = 2 \text{ cents} * (80\% - \text{on-time percent}) * \text{total contracts}$$

Pro-forma statements reflecting fees under the new rule will be distributed for the months of March, April and May.

Firms executing retail trades should note that trades awaiting account or CMTA information are **NOT** excluded from the input time requirements. Please notify your trading desk of these input requirements and request that all information necessary for trade input be provided in a timely manner.

As the options industry moves toward real-time trade processing, the Clearing Procedure Committee would like to re-establish CBOE's leadership. Error free, timely trade submission benefits the entire Exchange community. Out-trades are discovered more quickly and can be resolved before financial loss occurs. The average submission time for all market maker trades is currently at 31 minutes of execution and 83% of all trades are submitted within one hour of execution. The Committee hopes that all participants will submit trade information on a timely basis so that no additional fees are generated by the revisions to Rule 2.30.

Please direct any questions regarding this memo to Patrick Fay at 786-7520, Charlie Hullihan at 786-7176 or Hugh O'Neill at 786-7952.