OPEN INTEREST

Information Circular IC04-46
March, 2004

Updates to the Chicago Board Options Exchange Membership Meetings

CBOE Futures Exchange Launches
CBOE Futures Exchange, LLC (CFE) was successfully launched on Friday, March 26, 2004, following final regulatory approval. We are very pleased that volume on the first day of trading was robust with 449 contracts trading.

CFE received formal approval as a designated contract market from the Commodity Futures Trading Commission (CFTC) in August 2003. The first product traded on CFE is futures on the CBOE S&P 500® Volatility Index (VIX®). VIX futures is the first in a new family of volatility products to be offered by CBOE and CFE. Options on VIX will also soon be available, pending regulatory approval, and will be traded at CBOE.

On March 19 at the Futures Industry Association Conference in Boca Raton, Florida, CFE announced it will list two Variance Futures contracts, expected to launch in the second quarter of 2004. The new contracts are the CBOE S&P 500® One-month Variance and the S&P 500 Three-month Variance Futures (symbols VO and VT). The new contracts will be based on the realized variance of the S&P 500 Index.

CFE is a wholly-owned subsidiary of CBOE, and operates as an all-electronic exchange using CBOE*direct*® as the trading platform. The CBOE*direct*® system currently serves as the trade engine for OneChicago and CBOE's Hybrid Trading System. Trading Privilege Holder (TPH) permits are being made available to CBOE members and other eligible parties. TPH applications are available on the CBOE website at http://www.cboe.com/CFE or through the CBOE Membership Department. CBOE members trading on CFE are charged reduced fees, as opposed to non-CBOE members. No transaction fees are being charged during the initial launch period. The Options Clearing Corporation (OCC) is clearing all CFE trades.

CFE has approved the following organizations as Designated Primary Market Makers (DPMs): Knight Financial Products, LLC; Susquehanna Investment Group, LLP; and Timber Hill, LLC. Susquehanna Investment Group was appointed the DPM in VIX futures.

For more information, visit http://www.cboe.com/CFE or contact Patrick Fay, CFE Managing Director, at 312.786.7925.

Vote on Exercise Rights
On March 2, the CBOE Board of Directors approved a proposal to initiate a purchase offer for a significant number of CBOT Exercise Rights. If the plan, which is subject to a membership vote, is approved, CBOE will offer to purchase up to 500 Exercise Rights from CBOT Full Members for $100,000 each.

Membership meetings were held on March 8 and March 29 to provide forums for discussion regarding the proposal.

A vote of the CBOE membership will be held on April 19, 2004. During the week of March 22, formal ballot materials were sent to all CBOE members.

See Information Circular IC04-41 at: https://www.cboe.com/members/.

Vote on Revisions to Existing Marketing Fee Program
CBOE has issued Information Circulars IC04-24 and IC04-38 that describe proposed revisions to the current Marketing Fee Program at CBOE.

A membership meeting was held on March 2, 2004 to provide a forum for discussion regarding the proposal.

A vote of the CBOE membership on this proposal will be held on March 31, 2004. Information Circulars IC04-24 and IC04-38 may be accessed at https://www.cboe.com/members.

Hybrid Trading Update
As of March 10, 2004, CBOE had 613 classes on Hybrid, with over 450 members actively quoting on Hybrid. Updated roll-out schedules are accessible at http://www.cboe.com/Hybrid.

The Russell 2000® Index (RUT) is the first index product to be traded on Hybrid. There are eleven market makers certified to quote in RUT.

Recent analysis indicates that trading spreads narrow significantly when a class begins trading on Hybrid.

Market makers should contact their autoquote provider and request a Hybrid login ID. Market makers must participate in a practice session and receive quote certification by CBOE Trading Operations staff before accessing the Hybrid in live trading.

For additional information on Hybrid, visit http://www.cboe.com/Hybrid.

Members with questions on Hybrid may contact the following:

Rules	Stephen Youhn, Senior Attorney, at 312.786.7416
Connectivity	Curt Schumacher, Vice President and Chief Technology Officer, at 312.786.7564
Business Issues	Anthony Montesano, Vice President, Trading Operations, at 312.786.7365 or Carol Zylius at 312.786.7174
CBOE HyTS™ Terminal Demonstrations	Andrew Lowenthal, CBOE Director, Business Development, at 312.786.7180.

Hybrid 2.0
Hybrid 2.0 is the new initiative that creates new classes of CBOE membership and enables a wider range of market participants to access the Hybrid System, quote prices and trade electronically from remote locations.

It is anticipated that Hybrid 2.0 will launch by the end of the second quarter of 2004, following SEC approval of rule filings. Systems development to support Hybrid 2.0 will be completed shortly.

Applications for e-DPMs have been received and interviews with applicants are under way. Appointments will be announced after the SEC approves the related rule filings. The Remote Market Maker (RMM) structure has been endorsed by the appropriate committees. The Equity Market Performance Committee has also approved the RMM appointment process.

The Equity Market Performance Committee has issued Information Circular IC04-16, which describes the planned establishment and configuration of Hybrid 2.0 Trading Crowds, including the creation of virtual trading crowds. IC04-16 is currently posted at http://www.cboe.com/Legal.

For more information on current plans for Hybrid 2.0, members may refer to http://www.cboe.com/Hybrid.

Financial Update
For the first seven months of Fiscal Year 2004 (period ending January 31, 2004), CBOE reported a pre-tax profit of $8.2 million, compared to a budgeted pre-tax loss of $2.6 million. Extraordinarily strong volume allowed CBOE to post these positive results. Volume averaged 1,236,400 contracts per day during this time period, which is 16% higher than the 1,070,100 contracts that CBOE averaged for Fiscal Year 2003. Working capital for the Exchange increased from $30.1 million to $35.6 million during the first seven months of FY04 despite the acquisition of $14.3 million in new equipment and software, mostly related to the implementation of our new Hybrid trading system.

CBOE's strong financial results are expected to continue. We averaged over 1,400,000 contracts per day for the month of February, while contract volume in early March declined somewhat. CBOE continues to invest significant capital in technology as we prepare for the launch of Hybrid 2.0 in the 4th quarter of this fiscal year.

Washington Update
On Thursday February 19, the Senate passed S. 1072, the Surface Transportation Reauthorization bill. A package of revenue raisers, including the repeal of Qualified Covered Calls (QCC), was included at the last minute. The revenue raiser package was lifted, in its whole form, from the earlier JOBS bill, S. 1637.

CBOE is working closely with the U.S. Securities Markets Coalition to remove the repeal of QCC from the transportation bill, and to prevent its inclusion from further revenue raising packages. CBOE has been in constant contact with Senator Dick Durbin's office, as well as Treasury staff, Senator Max Baucus (D-MT), Senator Rick Santorum (R-PA) and Senate Leadership regarding this issue.

CBOE will aggressively pursue this situation and remains in constant contact with the relevant members and staff in Washington.

CBOE Lessors' Luncheon
CBOE hosted a Lessors' Luncheon on Friday, March 19, 2004 at the Boca Raton Resort and Club in Boca Raton, Florida. Members who are in Florida at this time of year were invited. Approximately 35 owners attended. Lessors who would like to be included on the invitation list for next year, please contact Christy Hanson, Civic and Governmental Affairs Representative, at 312.786.7066 or hansonc@cboe.com.

Volume Update
February 2004 volume totaled 27,535,271 contracts traded, an increase of 48% over the February 2003 volume of 18,606,096 contracts. This was the sixth consecutive month that CBOE registered volume gains over year-ago levels.

Exchange Volume, February 2004
Total Volume
- 27,535,271 contracts
- +48% vs. year-ago (Feb. '03)
- -19% vs. previous month (Jan.'04)

Average Daily Volume
- 1,449,225 contracts
- +48% vs. year-ago (Feb. '03)
- -15% vs. previous month (Jan. '04)

Open Interest
- 116,191,365 contracts
- +42% vs. year-ago (Feb. '03)
- +8% vs. previous month (Jan. '04)

February highlights at CBOE included:

- Volume in stock option classes (equities) rose 92% in February as nearly 19 million contracts traded.
- February marked the sixth consecutive month that equity option volume at CBOE experienced an increase over the year-ago total.
- The top five stock option classes traded at CBOE during February were AT&T Wireless Services, Inc. (AWE), Cisco Systems, Inc. (CSCO), Microsoft Corporation (MSFT), Intel Corporation (INTC), and El Paso Corporation (EP).
- Options on the S&P 500® Index (SPX) were the most-actively traded index option at CBOE during February as volume totaled 2,860,851 contracts, an increase of 5% over 2003.
- Volume in options on the Nasdaq-100 Index® (NDX) increased 149% in February. This was the sixth consecutive month—and tenth time in the last twelve months—during which NDX options volume rose over year-ago levels.

Additional Statistics for February 2004

The monthly closing price for the CBOE S&P 500® Volatility Index (VIX®) was 14.55, the lowest monthly closing price for VIX since June 1996.

The monthly closing price for the CBOE S&P 500 BuyWrite Index (BXM℠) was 636.50, the highest monthly closing price for BXM since January 2001.

OneChicago

In February 2004, 51,821 security futures contracts traded at OneChicago, LLC. Open interest stood at 211,867 contracts February 27. OneChicago has a total of 110 products: 95 single stock futures, including futures in the DIAMONDS Trust, and 15 futures on the Dow Jones MicroSector Indexes℠.

All CBOE members with trading privileges on CBOE have member access and rights to trade on OneChicago. However, members need to have the appropriate guarantee and clearing designation forms in place prior to trading on OneChicago. Forms are available online at http://www.cboe.com/AboutCBOE/CBOEMembership.asp or through the CBOE Membership Department at 312.786.7449.

For additional information on products or services available at OneChicago, visit http://www.onechicago.com or call 312.424.8500.

To learn more about single stock futures, members might also want to contact Mark Esposito, OneChicago Project Coordinator, at 312.424.8527 or SPO@OneChicago.com. Mark is a 23-year veteran in the Merck (MRK) crowd on the floor of the CBOE and very active in both the committee structure at the CBOE and implementation of Hybrid.

Simulated Trading Events

The Options Institute has scheduled "Trade Like the Pros" simulated trading events for 2004. These events, which attract many retail customers, feature hands-on simulated trading experience, education on options strategies by floor traders, and an emphasis on teaching hedging and managing risk while setting up for profit. CBOE members should advise interested parties to call 1.877.THE.CBOE or visit http://www.cboe.com/Seminars to register. Simulated trading events are scheduled at CBOE on April 22, June 24 and October 28.

E-mails to Members
CBOE members who prefer to receive the OPEN INTEREST newsletters via e-mail rather than by U.S. Mail should send their request, including member name, firm name (if applicable) and desired e-mail address to (mailto: members@cboe.com), or contact the CBOE Membership Department directly at 312.786.7449.

Now available: MEMBER E-NEWS, a weekly update for CBOE members that is being distributed via e-mail only and posted on the CBOE members' website. Please be sure to submit your e-mail address to (mailto: members@cboe.com), or contact the Membership Department to begin receiving this weekly update.



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