



Date: December 17, 2007
To: The Membership
From: Finance & Administration
Subject: 2008 Fee Changes

The Financial Planning Committee recommended and the Board of Directors approved the 2008 budget on December 12, 2007. Included in the budget are various fee changes. Subject to SEC approval, the changes summarized below will be effective January 1, 2008, unless noted.

1) **Transaction Fees:**

- **Liquidity Providers (LPs) Transaction Fee Sliding Scale Modifications** – A 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, RMM and LMM). In order to capture the lower rates noted in tiers three through five, a LP must prepay transaction fees as noted below.

Prepayment Incentives:

- To be eligible to participate in the sliding scale above 1.2 million contracts per month, a LP must prepay their entire fees for the first two levels of the sliding scale for the entire year (\$2,610,000).
- Another incentive option is to prepay tiers one through four for the entire year to capture a \$600,000 prepayment discount. After deducting the discount a net payment amount of \$7,410,000 must be paid in early January 2008.

Prepayment elections and wired payments must take place during the period January 2 through January 10, 2008.

A LP's monthly contract volume is determined at the firm affiliation level. For example, if five LPs are affiliated with member organization/firm ABC in CBOE's Membership Department database for the entire month, all of the individual LP's contract volume will count towards ABC's sliding scale transaction fees for that month.

Contract volume benefiting from CBOE's strategies fee cap rebate program (dividend, merger and short stock interest strategies) are not eligible for the LP sliding scale since significant fee reductions may already have been captured.

The 2008 revised LP transaction fee sliding scale per month is detailed below:

Tiers	<u>2007 Monthly Contracts</u>	<u>2007 Rate</u>	<u>2008 Monthly Contracts</u>	<u>2008 Rate</u>
First	First 50,000	20 cents	First 75,000	20 cents
Second	Next 950,000	18 cents	Next 1,125,000	18 cents
Third	Next 1,500,000	15 cents	Next 1,800,000	15 cents
Fourth	Next 1,500,000	10 cents	Next 1,800,000	10 cents
Fifth	Above 4,000,000	2 cents	Above 4,800,000	3 cents

- 2) **SPX and Volatility Indexes Customer Large Trade Fee Cap Changes** – In 2007, customer transaction fees were charged up to the following quantity of contracts per order: S&P 500 (SPX), charged the first 7,500 contracts per order; other indexes, charged the first 5,000 contracts per order; and ETFs and HOLDRs, charged the first 3,000 contracts per order (no fees were charged for the QQQQ). Revised caps for 2008 are detailed below. There are no changes to other product lines.

<u>Products</u>	<u>2007 Contracts Fee Cap</u>	<u>2008 Contracts Fee Cap</u>
SPX	7,500	10,000
Volatility indexes	5,000	7,500

- 3) **Surcharge in SPX, OEX and Volatility Indexes** – Surcharge rates in 2007 were 4 cents per contract in SPX, OEX and volatility indexes, and 10 cents in DJX, DXL, MNX, NDX and RUT. Customer orders are exempt from the surcharge fee. Surcharges in certain products will be adjusted in 2008 to help offset CBOE license costs. Details of the adjustments are noted below:

<u>Products</u>	<u>2007 Surcharge</u>	<u>2008 Surcharge</u>
SPX, OEX & volatility indexes	4 cents	6 cents

- 4) **SPX Customer Transaction Fee if Premium is < \$1** – Current SPX customer transaction fees are 44 cents per contract if the premium price is greater or equal to \$1, and 27 cents if the premium is < \$1. Effective January 1, 2008, the revised rate for customer orders if the premium is < \$1 is detailed below:

<u>Product</u>	<u>2007 Rate</u>	<u>2008 Rate</u>
SPX cust., prem. < \$1	27 cents	35 cents

- 5) **Inbound Linkage Transaction Fee** – Current transaction fees charged to inbound linkage orders are 26 cents per contract, excluding surcharges for certain products. Linkage Satisfaction Orders are not charged transaction fees per Linkage rules. Subject to SEC approval (effective date to be determined), the revised rate for Linkage Orders is detailed below (excludes surcharges for certain products and Satisfaction Orders will continue to exempt from transaction fees):

<u>Description</u>	<u>2007 Rate</u>	<u>2008 Rate</u>
Linkage trans. fee	26 cents	30 cents

- 6) **Firm Proprietary Orders Transaction Fee Sliding Scale Replaces Firm Fee Cap** – Effective January 1, 2008, a firm proprietary orders (F origin code) transaction fee sliding scale will be in effect. Joint Back-Office (JBO) firms are not eligible for the sliding scale.

The firm proprietary orders transaction fee sliding scale is detailed below:

<u>Tiers</u>	<u>2008 Contracts per Month</u>	<u>Rate</u>
First	First 400,000	20 cents
Second	Next 200,000	15 cents
Third	Next 150,000	10 cents
Fourth	Next 100,000	5 cents
Fifth	Above 850,000	2 cents

Due to CBOE's obligation to pay license fees on certain products, a license fee will be added in certain licensed products only after a firm reaches the 2 cents tier. The license fee add-on will be 10 cents per contract, less surcharge fees already assessed.

This sliding scale program will replace the current fee cap structure. Under the prior program (and not a requirement for the new plan), firms that derived more than 35% of their annual gross revenue from commissions and principal transactions with customers were eligible for a monthly

transaction fee cap of \$125,000 on their firm proprietary orders, plus license fees in certain products after the firm fee cap was reached.

- 7) **Hybrid Co-location of Equipment Fee** – Due to various costs incurred by CBOE directly related to a) offering firms co-locating of equipment services, b) hosting 3rd party quoting software servers within our facilities, and c) wide area network access and the application servers provided to firms to connect to CBOE's two Application Protocol Interfaces: CMI and FIX, new or increased fees for these service will be effective January 1, 2008.

<u>Description</u>	<u>Per Month</u>
3rd party quoting server	\$150
Cabinet space measured in U's (1.75 inches)	per U 10
Network access port charge	40
CMI client application server	40
FIX port	40

Please contact Curt Schumacher at 312-786-7564 if you have any questions relating to these services or fees.

- 8) **Liquidity Provider Appointment Fee if Manually Processed** - Liquidity providers have the ability to submit internet-based electronic or manual appointment change requests. Manual appointment changes require staff time to process a change request. In an effort to encourage electronic appointment changes (where no fee is assessed), a \$50 appointment fee will be assessed for any manual appointment change request. Please contact Dan Hustad at 312-786-7715 if you have any questions relating to this fee or process.
- 9) **Membership Application Fees** – The Application Fees assessed through the Membership Department are increasing for most categories but in some instances, through the restructuring to a single fee for Firm applications, the overall charge may actually result in the reduction of fees compared to those in effect during 2007. Comparative Membership Application Fees follow. Please contact Stan Leimer at 312-786-7299 if you have any questions.

Classification:	<u>2007</u>	<u>2008</u>
Individual Application	\$2,200	\$2,500
New Member Orientation & Exam	\$500	\$500
Firm Application - Trading Firm	\$275	\$4,000
Firm Application - Lessor Firm	\$275	\$1,000
Associated Person	\$275	\$350
Fingerprint Processing	\$40	\$50
Lease Fee	\$550	\$600
Renewal/Change of Status	\$110	\$250
Inactive Nominee Switch (Seat Swap)	\$44, 83, 165	\$50, 100, 200
Inactive Nominee Quarterly Parking Space	\$660	\$750
Joint Account Application	\$1,000	\$1,000
Joint Account Participant	\$250	---
Operating Agreement	\$110	---
Seat Transfer	---	\$500
Trust Application	\$550	\$1,000
NMCB Application	\$550	\$1,000
Order Service Firm	\$1,650	\$1,650

Individual Application Fee - The Individual Application Fee is payable by a new individual applicant (Owner/Nominee/Lessee/Lessor). The applicant's Fingerprint Processing Fee is now included as part of this fee.

New Member Orientation & Exam Fee - This fee is payable by each applicant seeking membership which requires a trading function.

Trading Firm Application Fee – This Fee encompasses the Firm Application; one Nominee Individual Application Fee associated with the Firm Application; and Associated Person(s) Fees that are part of this Firm Application.

Lessor Firm Application Fee - This fee is payable by each lessor-only firm applicant for membership on the Exchange, which encompasses the Firm Application and the Firm's Associated Person(s) Fees.

Associated Person Fee – This fee is charged for additions of certain associated persons on a Member Firm's Form BD and includes the related Fingerprint Processing Fee. This Fee is applicable to the following Associated Persons: executive officer, general partner, or LLC Manager. Additionally, this Fee is applicable to each principal shareholder (5% or more direct ownership of a class of a voting security of a Member Firm corporation), limited partner who has the right to receive upon dissolution, or has contributed, 5% or more of the partnership's capital, and LLC member who has the right to receive upon dissolution, or has contributed, 5% or more of the LLC's capital. This Fee is also payable by any persons classified as having "Control" of the Member Firm as defined in CBOE Rule 1.1(k).

Fingerprint Processing Fee - This Fee will be assessed for employees of members and any other individual requesting the Exchange to process a fingerprint, electronically or otherwise, excluding fingerprint requirements for Individual Applicants, individuals applying for Renewal/Change of Status, and Associated Persons.

Lease Fee – The Lease Fee is paid by the Lessee.

Renewal/Change of Status Fee – This Fee is applicable to individual Applicants who apply for Membership within a nine-month period from their previous termination date and to existing Members who change their membership status.

Inactive Nominee Switch Fee – Each "Seat Swap", where an Active Nominee is replaced by an Inactive Nominee to trade on the Trading Floor, carries a related Fee, which varies depending upon the time of the day when the switch occurs. The Fee is as follows:

<u>Switch Time</u>	<u>Old Fee</u>	<u>New Fee</u>
Submission before 4pm the day prior to effective date	\$44	\$50
Submission after 4pm the day prior to effective date	\$83	\$100
Submission after 8am on the effective date	\$165	\$200

Inactive Nominee Quarterly (Parking Space) Fee – This Fee is assessed at the beginning of each quarter, to a Member Firm, for each Parking Space it utilizes to maintain an Effective status for an Inactive Nominee.

Joint Account Application Fee – This fee is assessed for any new joint account applied for by a Member Firm.

Joint Account Participant Fee – This Fee is eliminated.

Operating Agreement Fee - This Fee is eliminated.

Seat Transfer Fee – The Seat Transfer Fee is assessed to a Member for each CBOE Seat for which the Exchange has received a request for transfer under CBOE Rule 3.14. There is a \$2,000 Fee cap for a request covering multiple Seats per transfer.

Trust Application Fee – This Fee is assessed to an Individual Member who wishes to transfer the CBOE membership into a Trust.

NMCB Application – This application fee is assessed to a Member Firm or Firm Applicant that transacts Non-Member Customer Business.

Order Service Firm - This fee is payable by applicant firms that plan to conduct an order service business.

Other Fee Items of Note:

- **CFLEX Surcharge and Log-In Fees** – On November 20, 2007, CBOE launched a new CFLEX trading platform for FLEX options. A CFLEX surcharge of 10 cents per contract, applicable to all origin codes, was waived through December 31, 2007. The CFLEX surcharge fee will be effective January 1, 2008. Public customer orders are assessed the CFLEX surcharge up to the first 2,500 contracts per order. CFLEX log-in fees are \$100 per month per log-in, capped at 5 log-ins per member organization. This fee was waived through December 31, 2007 and will be assessed effective January 1, 2008. Please contact Andy Lowenthal at 312-786-7180 if you have any questions on CFLEX.
- **Mini-SPX (XSP) Transaction Fee Holiday** – Transaction fees for XSP are waived temporarily, effective with the November 19, 2007 re-launch of this product. Please contact Andy Lowenthal at 312-786-7180 if you have any questions on XSP.

Please call Ermer Love at (312) 786-7032 or Don Patton at (312) 786-7026 if you have any questions.