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Regulatory Circular RG98-107

Date: October 9, 1998
To: All Members and Member Organizations
From: Market Operations Department
Re: Rule 2.30, Fee for Delayed Submission of Trade Information

As announced in Regulatory Circular RG98-31, CBOE will file changes to Rule 2.30 with the Securities and Exchange Commission ("SEC"). These changes include consideration of all trades executed (Retail and Market Maker) and a reduction in the amount of time allowed for the entry of trades. However, as noted in Regulatory Circular RG98-55, due to required revisions in the billing process, implementation of the revised rule was delayed. This regulatory circular is intended to inform the membership that the Exchange is now preparing to implement the rule change.

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 January 1, 1999, 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
January 1, 1999.....	90 minutes
April 1, 1999.....	75 minutes
July 1, 1999.....	60 minutes

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:

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

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.

Pro-forma statements reflecting fees under the new rule will be distributed monthly to clearing firms beginning October 1998. Firms and members are encouraged to review these reports and initiate procedures to ensure compliance under the revised input requirements.

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.