

Date: December 5, 2007

To: Members

From: Trading Operations

Re: Hybrid Electronic Quoting Fee

In an effort to improve the quality of CBOE's disseminated quote while maintaining its quote mitigation efforts, CBOE modified the Hybrid Electronic Quoting Fee effective December 1, 2007. CBOE reduced the fee by both increasing *credits* for competitive quotes and by reducing the charge for noncompetitive quotes. For example, the *credit* for national best bid/offer (NBBO) market turning quotes was increased from \$.02 to \$.10 per 1,000 and at the opposite end of quote quality, the charge for duplicate quotes or off CBOE best bid or offer (BBO) decreased from \$.05 to \$.04 per 1,000.

Specifically, CBOE amended the Hybrid Electronic Quoting Fee as follows:

- Increased the *credit* from \$.02 to \$.10 per 1,000 quotes, if a two-sided quote improves the NBBO on *at least one* side of the market.
- Increased the *credit* from \$.01 to \$.03 per 1,000 quotes, if a two-sided quote matches the NBBO on *both* sides of the market.
- Decreased from \$.02 to \$0.00 per 1000 quotes, if a two-sided quote matches the NBBO on only *one side* of the market.
- For Market-Makers and RMMs in high premium series, decreased from \$.05 to \$.04 per 1,000 quotes, if a two-sided quote *matches* the BBO on *at least one side* of the market.
- Decreased from \$.05 to \$.04 per 1,000 quotes, if a two-sided quote is a duplicate quote or if it does not satisfy any of the other conditions.

The amended Hybrid Electronic Quoting Fee should encourage more competitive and efficient quoting and help to reduce quote traffic. The fee rewards liquidity providers that quote competitively and but still imposes a reduced cost on liquidity providers that do not.

Tables showing the amended Hybrid Electronic Quoting Fee are set forth below.

DPMs and e-DPMs					
	Market Turner –	NBBO Match – Both Sides	NBBO Match – One Side Only	CBOE BBO Match -	Duplicate & Off Market
All Underlying Values	\$.10 Credit	\$.03 Credit	No Charge	\$.02	\$.04

Market-Makers and RMMs					
	Market Turner –	NBBO Match – Both Sides	NBBO Match – One Side Only	CBOE BBO Match	Duplicate & Off Market
Underlying <= \$100, & Bid <= \$10	\$.10 Credit	\$.03 Credit	No Charge	\$.02	\$.04
Underlying <= \$100, & Bid > \$10	\$.10 Credit	\$.03 Credit	No Charge	\$.04	\$.04
Underlying > \$100, & Bid <= 15% of Underlying	\$.10 Credit	\$.03 Credit	No Charge	\$.02	\$.04
Underlying > \$100, & Bid > 15% of Underlying	\$.10 Credit	\$.03 Credit	No Charge	\$.04	\$.04

For further details, please consult the CBOE Fees Schedule. If you have questions or would like to receive an email that includes a projection of the impact on your quote fees, please call or email Charles Hullihan at (312) 786-7176 or hullihan@cboe.com.