



BOX[®]
BOSTON OPTIONS EXCHANGE

INFORMATIONAL CIRCULAR IC-2010-001

TO: BOX Participants

FROM: BOX Market Operations Center

SUBJECT: **Amended BOX Fee Schedule - Transaction-Based Options
Regulatory Fee**

DATE: **January 4, 2010**

A proposed fee change has been submitted with the Securities and Exchange Commission (“SEC”) to implement a transaction-based “Options Regulatory Fee” (“ORF”). In addition, the Registered Representative Fees (“RR Fee”) will be eliminated from Section 6(b) of the BOX Fee Schedule.¹

Effective January 1, 2010, the ORF will be assessed by BOX to each BOX Options Participant for all options transactions executed or cleared by the BOX Options Participant that are cleared by The Options Clearing Corporation (“OCC”) in the customer range (i.e., that clear in a customer account at OCC) regardless of the exchange on which the transaction occurs. The ORF would also be charged for transactions that are not executed by a BOX Options Participant but are ultimately cleared by a BOX Options Participant. The ORF will be collected indirectly from BOX Options Participants through their clearing firms by the OCC on behalf of BOX.

BOX has set the ORF at \$.0030 per contract. There is a minimum one-cent (\$0.01) charge per trade. The ORF will apply to both buys and sells and will be collected by OCC on behalf of BOX.

It is expected that BOX Options Participants will pass-through the ORF to their customers in the same manner that firms pass-through to their customers the fees charged by Self Regulatory Organizations (“SROs”) to help the SROs meet their obligations under Section 31 of the Exchange Act. Based on its discussions with the SEC, BOX believes the ORF can properly be characterized as a regulatory fee. While the ORF is an obligation of the BOX Options Participant, OCC, on BOX’s behalf, will bill the OCC clearing firm that clears the eligible trade. BOX believes that by collecting the ORF in this manner, BOX Options Participants and non-BOX Options Participants will more easily be able to pass-through the ORF to their customers.

BOX will calculate the ORF based on the aggregate number of contracts executed by each clearing firm every month. Due to rounding and the fact that there is a minimum one-cent charge per trade, a firm charging its customers on a trade-by-trade basis may collect more or less ORF fees each month from its customers than it pays to BOX. BOX anticipates that this difference will be minimal or non-existent over a calendar year. When calculating the ORF,

¹ See SR-BX-2010-001.



firms must round to the nearest cent using pure rounding (i.e., any digit 5 and above is rounded up). At the end of each month, BOX will submit to OCC a data file identifying the number of contracts executed by each BOX Options Participant and the ORF amount to be debited from each clearing firm's account. The ORF charge will be a line item on your OCC bill, appearing close to the Section 31-related charges incurred by your firm.

The ORF is designed to recover a material portion of the costs of the supervision and regulation of BOX Options Participants, including performing routine surveillances, investigations, as well as policy, rulemaking, interpretive and enforcement activities.² BOX believes that revenue generated from the ORF will cover the substantial majority of the regulatory costs related to the BOX market. At present, RR Fees make up the largest part of options regulatory fee revenue, however, the total amount of BOX specific regulatory fees collected is significantly less than the regulatory costs incurred by BOX on an annual basis.

BOX's ORF is similar to the fee currently in place at several other options exchanges, including the Chicago Board Options Exchange ("CBOE") and the International Securities Exchange ("ISE"). Other exchanges may impose a similar fee on their member's activity, including the activity of those members on BOX.

Since the ORF is based on the number of option contracts executed, BOX will periodically review the rate (on at least an annual basis) and, if necessary due to volume levels, make necessary adjustments so as to collect the appropriate level of regulatory revenue. BOX Options Participants will be given notice of any such adjustments by means of an Informational Circular similar to this notice.

This proposed change will become applicable with the January 2010 billing cycle. This change will be reflected in the BOX Fee Schedule, which is available on the BOX website at <http://www.bostonoptions.com>.

Please review this information with your compliance department. If you have any questions regarding this information, please contact the BOX Market Operations Center at (866) 768-8845 or boxmoc@bostonoptions.com.

² The RR Fees collected were originally intended to cover only a portion of the cost of regulatory programs.