



# Boston Options Exchange Facility

## Fee Schedule

(as of October 2005)

### Sec. 1 Trading Fees For Public Customer Accounts

None

### Sec. 2 Trading Fees Broker Dealer Proprietary Accounts

- a. \$ 0.20 per contract traded;  
- or -
- b. \$ 0.40 per contract traded against an order the Trading Host filters to prevent trading through the NBBO, pursuant to the procedures set forth in Chapter V, Section 16(b) of the BOX Rules
- c. Plus, where applicable, any surcharge for options on ETFs that are passed through by BOX. The applicable surcharges are as follows:
  - 1) \$ 0.10 per contract for options on the ETF NASDAQ 100 ("QQQs").

### Sec. 3 Market Maker Trading Fees

#### a. Per contract trade execution fee:

- 1. \$ 0.20 per contract traded in assigned classes;  
- or -
- 2. \$ 0.20 per contract traded in unassigned classes;  
- or -
- 3. \$ 0.40 per contract traded against an order the Trading Host filters to prevent trading through the NBBO, pursuant to the procedures set forth in Chapter V, Section 16(b) of the BOX Rules.
- 4. Plus, where applicable, any surcharge for options on ETFs that are passed through by BOX. For a list of applicable ETF surcharges, see Section 2(c), above.



**b. Minimum Activity Charge (“MAC”)**

The “notional MAC” per options class (see table below) is the building block for the determination of the BOX Market Maker’s monthly total MAC which is payable at the end of each month if the per contract fee of \$ 0.20 per contract traded, when multiplied by the Market Maker’s actual trade executions for the month, does not result in a total trading fee payable to BOX at least equal to the monthly total MAC.

The MAC is totaled across all classes assigned to a Market Maker so that volume for one class is fungible against other classes for that Market Maker. As a result, although the volume on a given class needed to reach an implicit cost of \$0.20 a contract may not be achieved, this can be compensated by volume in excess of the MAC on another class.

1. MAC “Levels”

a. For Classes that have been trading on any options exchange for at least six calendar months

The table below provides the MAC for each of the six “categories” of options classes listed by BOX. The category for each class is determined by its total trading volume across all U.S. options exchanges as determined by OCC data. The classifications will be adjusted at least twice annually (in January and July, based on the average daily volume for the preceding six month period).

<u>Class Category</u>	<u>OCC average daily volume (# of contracts)</u>	<u>MAC per Market Maker per appointment per month</u>
A	>100,000	\$15,000
B	50,000 to 99,999	\$3,000
C	25,000 to 49,999	\$2,000
D	10,000 to 24,999	\$750
E	5,000 to 9,999	\$250
F	Less than 5,000	\$100

b. For Classes that have not been trading on any options exchange for at least six calendar months

A class will not be placed into a MAC category until a class has been trading on any options exchange for a full calendar month. After a class has been trading for a full calendar month, the MAC category for such class will be determined, applying the criteria set forth in the table above, based on the average daily volume for such full calendar month across all U.S. options exchanges as determined by OCC data. The classification will be adjusted at the beginning of each new calendar month thereafter based on the average daily trading volume for the previous calendar months in which the options class was traded for the entire month, until the class has been trading for six full calendar months. Thereafter, the classification will be adjusted at least twice annually (in January and July, based on the average daily volume for the preceding six month period) as set forth in subsection 1.a. above. Until an options class is placed in a MAC category, only per contract trade execution fees will apply to trades in that class.

2. MAC “Adjustments”

With respect to market makers appointed to classes traded by BOX Market Makers on the date of such appointment, if the market maker is not already a BOX Market Maker in at least one other class, the MAC will be applied the earlier of either (i) the date the Market Maker commences quoting the class, or (ii) three months after the date of such appointment. However, if the market maker is already a BOX Market Maker in at least one other class, the MAC will not be applied until the earlier of either (i) the date the Market Maker commences quoting the class, or (ii) the eleventh trading day after the date of such appointment.



With respect to market makers appointed to classes not traded by BOX Market Makers on the date of such appointment, if the market maker is not already a BOX Market Maker in at least one other class, the MAC will be applied the earlier of either (i) the date the Market Maker commences quoting the class, or (ii) three months after the date of such appointment. However, if the market maker is already a BOX Market Maker in at least one other class, the MAC will be applied the date the class is listed on BOX.

Any MAC that becomes applicable on a day other than the first trading day of a calendar month is applied on a pro rata basis based on the number of trading days in that month for which the class was traded on BOX.

Furthermore, the MAC will be “indexed” to BOX’s overall market share as determined by OCC clearing volumes. At the beginning of each calendar month, BOX will calculate its market share for the previous month (market share equals total BOX traded volume divided by the total OCC cleared volume for the classes that BOX has listed). If BOX’s overall market share is less than 10%, BOX will reduce the MAC applicable for each Market Maker according to the following table.

BOX Market Share	MAC Applicable Rate
0% to 4.99%	33.3%
5% to 9.99%	66.7%
10% and more	full MAC

These adjustments are subject to subsection 1.b. above.

**c. Volume discount on total volume traded across all assigned classes (calculated on monthly basis)**

BOX will provide volume discounts to Market Makers who are particularly active on BOX. The discount is applied only after a Market Maker meets the minimum level of activity necessary to avoid paying a MAC for assigned classes. This discount is calculated monthly for the previous calendar month’s total trading volume across all the classes that the Market Maker holds an appointment as follows:

Average daily volume as appointed Market Maker (applicable only if MAC thresholds are achieved)	Per Contract
For all contracts up to a volume of 25,000 contracts	0
For the contracts traded between 25,000 and 50,000 (First Discount Threshold)	\$0.03
For the contracts traded above a total of 50,000 (Second Discount Threshold)	\$0.05

**Example:** Suppose that, in a given month which had twenty (20) trading days, a BOX Market Maker executed 1.2 million contracts. Of this total, 1.1 million executions were in the 100 classes for which he holds a market maker appointment; the total trading fees due to BOX before discount is \$ 220,000 (\$.20 multiplied by 1.2 million contracts).

The total volume across his appointments is an average daily volume (“ADV”) of 55,000 contracts per day. 25,000 of these contracts (the excess over the first “threshold” of 25,000 ADV up to the second threshold of 50,000 ADV) are subject to a discount of \$0.03; an additional 5,000 of these contracts are subject to the second tier discount of \$0.05.

- First threshold discount: 25,000 x \$ 0.03 x 20 days = \$ 15,000
- Second threshold discount: 5,000 x \$ 0.05 x 20 days = \$ 5,000
- Total discount: \$ 20,000
- Net trading fees due to BOX for month: \$ 200,000 (\$220,000 - \$20,000)



- “Implied” trading fee per contract for Market Maker in assigned classes:  
 \$ 200,000/1,100,000 = \$ 0.1818

## Sec. 4 InterMarket Linkage

The following fees are in effect on a Pilot basis, to expire on July 31, 2006.

### a. Per contract, billed to BOX Participant

1. BOX trade triggered by an away market Satisfaction (“S”) request.  (Billed to BOX Participant having executed the offending side of the trade subject to the S request.)	\$ .40
2. Routing by BOX of PA and P orders, and S requests to away market	Free

### b. Per contract, billed to away market

1. S request received from away market and executed on BOX.	Free
2. Inbound P and PA orders.  (Same as if were BOX Participant.)	\$ .20

## Sec. 5 Technology Fees

### a. Point of Presence (“POP”) Connection Fee

BOX’s Points of Presence are the sites where BOX Participants connect to the BOX network for communication with the BOX Trading Host. Each of these PoPs is operated by a third party supplier under contract to BOX. The amount to be paid by each BOX Participant is variable based on his particular configuration, the determining factors being the number of physical connections a BOX Participant has and the bandwidth associated with each.

- “**Installation**” and “**Hosting**” costs are related to the physical installation of equipment (generally routers though possibly other hardware) at the PoP site. BOX Participants will be required to pay this fee only if they have physical installations at the BOX PoP and for which BOX incurs fees from its own service suppliers
- “**Cross Connect**” fees are per physical connection and vary by size from the smallest (T-1) to the largest (CAT 5)

**Setup (one time change, not applicable for BOX Participants connected prior to launch)**

Installation	\$ 350
Cross connect per T-1	\$ 250
Cross connect T-3	\$ 350
Cross connect per CAT 5	\$ 500

**Monthly (applicable only after launch)**

Hosting	\$ 200
Cross connect per T-1	\$ 100
Cross connect per T-3	\$ 200
Cross connect per CAT 5	\$250



**b. CMS Order Routing Service**

This service is optional for BOX Participants and is offered as an alternative to the FIX and proprietary gateways to the BOX Trading Host.

The CMS Gateway is a service provided by BOX to those BOX Participants who use the CMS protocol for routing orders. CMS may only be used for agency activities (and not for proprietary orders and market maker activities).

**Monthly (applicable only after launch)**

	Per firm	\$ 250
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**c. Back Office Trade Management Software (“TMS”)**

TMS is optional software which BOX Participants may subscribe to in order to manage their BOX trades prior to their transmission by BOX to OCC.

**Monthly per user within the same BOX Participant (applicable only after launch)**

	Users 1 to 5	\$ 300
	Users 6 to 10	\$ 250
	Users 11 and up	\$ 200

**d. Testing/Support for Third Party Service Providers**

Third Party Service Providers, generally either Independent Software Vendors (“ISVs”) who provide “front end” trading software systems or service bureaus which provide and operate order routing systems for broker dealers, may connect to the BOX Trading Host test platform. This is necessary both to establish initial compatibility of their software as well as to maintain this connectivity as the BOX Trading Host implements upgrades and evolutions. This fee is charged directly to the Third Party Service Provider, not the Options Participant, and is not charged to BOX Participants who connect their proprietary software systems to the BOX Trading Host.

**One time (not applicable for providers connected prior to launch)**

Connection setup	\$ 10,000
Disconnection	\$ 500

**Monthly (applicable only after launch)**

	Maintenance Fee	\$ 500
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**Sec. 6. Compliance Examination Assessment**

**Monthly**

Firms for which BOX assumes examination responsibilities	\$1,500
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