

CBSX applicants requesting CBSX as their DEA

The following information must be submitted to Member Firm Regulation:

A description of the current business model and plans for the next 3 years, including:

- identification of the number of individuals traders that will trade for the firm
- whether such traders will be located in the United States
- how such traders will be recruited
- how such traders will be trained
- how such traders will be compensated
- how such traders will be supervised and by who
- identification of any Class B members of the LCC
- does your firm and its traders effect OTC transaction or direct orders to "dark pools"?
- Identify the order routing and or trading platform (s) that your firm and traders utilize.
- Identify the market or trading centers your firm and traders intend to route orders to.

Identification of the FinOp and the Accountant for the firm who will perform the annual certified audit.

A copy of your firm's Written Supervisory Procedures.

An organization chart showing all supervisors and the functions that they supervise.

Copies of all agreements to be signed by traders and or all class members, if structured as an LLC.

Since the firm will need to have at least \$150,000 in capital, please identify the amount of capital the firm intends to have in the account when they start business and the source of additional funding, if necessary, to support the capital needs of the firm.

Describe the sources of the firm's revenue and how it is computed.

Considerations of Portfolio Margin vs Broker-Dealer

Conduct an analysis of the costs/benefits of becoming a Portfolio Margin Customer as opposed to becoming a member of the CBSX and to provide us with a written

summary of your conclusions. Some of the considerations that your analysis should encompass include the following:

- Degree of Regulation associated with being an exchange member. This would include but not be limited to the following:
 - o Need to have a Financial and Operational Principal
 - o An Annual Certified Independent Accounting Audit
 - o Filing of FOCUS reports
 - o Routine Examination conducted by CBOE

- Costs
 - o Costs of Exchange Membership or Lease
 - o Costs Regulatory (including projected regulatory fees)
 - o Transaction fees (member vs customer)
 - o Customer Commission charges

- Portfolio Margin Considerations
 - o Per Contract Minimum Charge
 - o Day Trading Limitation on Portfolio Margin Customers
 - o Strict requirement to pay for transactions; unable to utilize clearing firm capital

Please identify the clearing firm your entity intends to utilize.

For more information contact Bob Gardner (312-786-7937) or Larry Bresnahan (312-786-7713).

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