

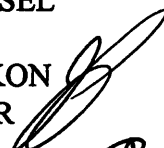



FEDERAL ELECTION COMMISSION
WASHINGTON, D C 20463


April 4, 2005

MEMORANDUM

TO: LAWRENCE H. NORTON
GENERAL COUNSEL

THROUGH: JAMES A. PEHRKON 
STAFF DIRECTOR

ROBERT J. COSTA 
DEPUTY STAFF DIRECTOR

FROM: JOHN D. GIBSON 
ASSISTANT STAFF DIRECTOR
REPORTS ANALYSIS DIVISION

SUBJECT: REFERRAL OF THE CHICAGO BOARD OF OPTIONS
EXCHANGE INC. PAC

This is a referral of the Chicago Board of Options Exchange Inc. PAC ("The Committee") for amending its 2003 August Monthly Report to disclose additional disbursements which, in aggregate, total \$64,500 (54.2% increase). The committee also amended its 2003 Year End Report to disclose additional receipts which, in aggregate, total \$75,517.58 (100% increase). According to the 2003-2004 RAD *Review and Referral Procedures for Unauthorized Committees* (Standard 7), this matter requires further examination by your office. However, due to the amount of additional activity in question, RAD would recommend that this matter be sent to the Office of Alternative Dispute Resolution for further processing.

Please note, that the Committee also disclosed additional receipts of \$19,522.07 on its 2003 Amended August Monthly Report and additional disbursements of \$2,000 on its 2003 Amended Year End Report. These issues are, however, not included in the referral because the increase in activity falls below established referral thresholds.

Copies of any reports or letters either filed by the Committee or sent by the Reports Analysis Division and referenced in this referral, are available for your review on the FEC Imaging System or the web site.

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If you have any questions regarding this matter, please contact Bradley Decker at 694-1301.

Attachments

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REPORTS ANALYSIS REFERRAL

TO

OFFICE OF GENERAL COUNSEL

DATE: April 4, 2005

ANALYST: Bradley Decker

- I. COMMITTEE: Chicago Board of Options Exchange Inc.
PAC (C00100693)
Alan J. Dean, Treasurer
400 S. LaSalle St
Chicago, IL 60605
- II. RELEVANT STATUTE: 2 U.S.C. §434(b)(2)(A)
2 U.S.C. §434(b)(2)(J)
2 U.S.C. §434(b)(4)(H)(i)
11 C.F.R. §104.3(a)(2)(i)(A)
11 C.F.R. §104.3(a)(2)(i)(B)
11 C.F.R. §104.3(a)(2)(viii)(A)
11 C.F.R. §104.3(a)(2)(viii)(B)
11 C.F.R. §104.3(b)(1)(v)

III. BACKGROUND:

Failure to provide Supporting Schedules (Failure to Disclose All Financial Activity)

On October 20, 2004, The Chicago Board of Options Exchange Inc. PAC ("the Committee") filed an Amended 2003 August Monthly Report disclosing \$64,500 in additional disbursements and an Amended 2003 Year End Report disclosing \$75,517.58 in additional receipts (Attachment 2).

2003 August Monthly Report

On August 20, 2003, the Committee filed its 2003 August Monthly Report covering the period from July 1, 2003 to July 31, 2003. This original report disclosed

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\$119,000 in disbursements on Line 23 of the Detailed Summary Page (Image 23991798297).

On October 20, 2004, the Committee filed an Amended 2003 August Monthly Report which disclosed \$183,500 in disbursements on Line 23 of the Detailed Summary Page (Image 24991247848).

On November 24, 2004, a Request for Additional Information ("RFAI") was sent to the Committee. The RFAI asked for clarification regarding the \$64,500 in additional disbursements and \$19,522.07 in additional receipts that were not disclosed on the Committee's original 2003 August Monthly Report (Image 24038630418).

2003 Year End Report

On January 16, 2004, the Committee filed its 2003 Year End Report covering the period from December 1, 2003 to December 31, 2003. This original report disclosed \$0 in contributions on Lines 11(a)(i), 11(a)(ii) and 17 of the Detailed Summary Page (Image 24990106823).

On October 20, 2004 the Committee filed an Amended 2003 Year End Report. The amended report disclosed \$74,550 in contributions on Line 11(a)(i), \$850 in contributions on Line 11(a)(ii) and \$117.58 in contributions on Line 17 (Image 24962590090).

On December 1, 2004, an RFAI was sent to the Committee. The RFAI asked for clarification regarding the \$75,517.58 in additional receipts and \$2,000 in additional disbursements that were not disclosed on the Committee's original 2003 Year End Report (Image 24038641235).

On December 7, 2004, Irma Love, a representative of the Committee, called the Reports Analysis Division ("RAD") analyst regarding the RFAI's that the Committee had received referencing the Amended 2003 August Monthly and Amended 2003 Year End Reports. Ms. Love asked if it was a serious problem for the Committee to report previously undisclosed financial activity on its amended reports, and wanted to know how the Committee should respond to the RFAI's it had received. The RAD analyst informed Ms. Love that the Committee was required by law to disclose all of its financial activity on its reports and that not doing so could result in action by the Commission. The RAD analyst asked Ms. Love why the Committee had failed to disclose all of its financial activity in a timely manner on its original reports. She stated that the Committee had experienced problems with the Aristotle reporting software, which had resulted in data being omitted from the Committee's reports. The RAD analyst recommended that the Committee submit a miscellaneous text document to the Commission detailing why the omissions had occurred (Attachment 3).

On December 28, 2004, Irma Love called the RAD analyst regarding the miscellaneous text document that the Committee intended to submit to the Commission to explain why it had failed to fully disclose its financial activity on a number of reports.

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Ms. Love wanted to know what information she should include in this document. The RAD analyst informed her that she should include any and all information that the Committee believed was relevant to the issue (Attachment 4).

On December 28, 2004 the Committee submitted a miscellaneous text document to the Commission regarding the additional receipts and disbursements disclosed on the Committee's amendments to its 2003 August Monthly Report. The Committee stated that, for this reporting period, financial activity entered into the Aristotle software was "posted to the wrong period due to the system default year being improperly set up for 2004." Additionally, the Committee stated "after the problem was detected the receipts and disbursements were corrected and all subsequent amendments were submitted to the FEC to disclose any receipts and disbursements pertaining to the incorrect default system error." The Committee also indicated that it has taken steps to enhance its software system, intends to report all transactions in a timely manner, and has taken extra precautions to do so (Image 24981913772).

On December 31, 2004 the Committee submitted a miscellaneous text document to the Commission regarding the additional receipts and disbursements disclosed on the Committee's amendment to its 2003 Year End Report. The Committee stated that, for this reporting period, financial activity entered into the Aristotle software was "posted to the wrong period due to the system default year being improperly set up for 2004." Additionally, the Committee stated that "after the problem was detected the receipts and disbursements were corrected and all subsequent amendments were submitted to the FEC to disclose any receipts and disbursements pertaining to the incorrect default system error." The Committee also indicated that it has taken steps to enhance its software system, intends to report all transactions in a timely manner, and has taken extra precautions to do so (Image 24981923052).

To date, no further communication has been received from the Committee regarding this matter¹.

¹ The Committee filed another amended Year End Report on December 31, 2004 to correct reporting errors unrelated to the issue of increased financial activity. The December 31, 2004 amendment did not disclose additional financial activity by the Committee and the line totals on the Summary and Detailed Summary Pages were identical to those shown on the October 20, 2004 Amendment.

CHICAGO BOARD OF OPTIONS EXCHANGE INC PAC
Alan J. Dean
FILING FREQUENCY: MONTHLY

400 S. LaSalle Street

Chicago

NON-PARTY QUALIFIED
IL 60605

ID #C00100693

FORM TYPE RPT TYPE AI PGI REC DATE PGS BEG IMAGE COVERAGE DATES BEG CASH RECEIPTS DISBURSE END CASH DEBTS BY

FORM TYPE	RPT TYPE	AI	PGI	REC DATE	PGS	BEG IMAGE	COVERAGE DATES	BEG CASH	RECEIPTS	DISBURSE	END CASH	DEBTS BY
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MS			T	12/31/2004	1	24981923052						
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RQ	M5	2		12/17/2003	4	23038252077	4/01/2003 4/30/2003					
RQ	M6	2		12/17/2003	3	23038252074	5/01/2003 5/31/2003					
RQ	M7	2		12/17/2003	3	23038252088	6/01/2003 6/30/2003					
RQ	M8	2		12/17/2003	4	23038252084	7/01/2003 7/31/2003					
RQ	M8	2		2/11/2004	3	24038320167	7/01/2003 7/31/2003					
RQ	M8	2		11/24/2004	3	24038630418	7/01/2003 7/31/2003					
RQ	M9	2		12/23/2003	3	23038253454	8/01/2003 8/31/2003					
RQ	M10	2		11/24/2004	3	24038630415	9/01/2003 9/30/2003					
RQ	M11	2		2/18/2004	3	24038322249	10/01/2003 10/31/2003					
RQ	YE	2		12/01/2004	4	24038641235	12/01/2003 12/31/2003					
RQ	M2	2		12/08/2004	3	24038661570	1/01/2004 1/31/2004					
RQ	M4	2		12/08/2004	3	24038661573	3/01/2004 3/31/2004					
RQ	M5	2		12/15/2004	3	24038663947	4/01/2004 4/30/2004					
RQ	M7	2		12/15/2004	3	24038663950	6/01/2004 6/30/2004					
RQ	M8	2		10/22/2004	3	24038593298	7/01/2004 7/31/2004					
RQ	M9	2		10/22/2004	3	24038593295	8/01/2004 8/31/2004					
RQ	M9	2		12/08/2004	3	24038661586	8/01/2004 8/31/2004					
RQ	12G	2		12/22/2004	3	24038671289	10/01/2004 10/13/2004					

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CHICAGO BOARD OF OPTIONS EXCHANGE INC PAC

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FORM TYPE	RPT TYPE	AI	PGI	REC DATE	PGS	BEG IMAGE	COVERAGE DATES	BEG CASH	RECEIPTS	DISBURSE	END CASH	DEBTS BY
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3	M2	A	P	4/17/2003	7	23990776226	1/01/2003 1/31/2003	480324	270	0	480595	0
3	M2	A	P	4/17/2003	6	23990776594	1/01/2003 1/31/2003	480054	270	0	480324	0
3	M2	A	P	1/16/2004	10	24990107730	1/01/2003 1/31/2003	479054	21495	0	500549	0
3	M3	N	P	3/20/2003	5	23990580770	2/01/2003 2/28/2003	479519	0	0	479519	0
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3	M4	N	P	4/17/2003	8	23990776586	3/01/2003 3/31/2003	484598	286	33000	451885	0
3	M4	A	P	1/16/2004	9	24990107749	3/01/2003 3/31/2003	501823	286	33000	469110	0
3	M5	N	P	5/21/2003	9	23990978264	4/01/2003 4/30/2003	451885	0	40000	411885	0
3	M5	A	P	1/16/2004	10	24990107758	4/01/2003 4/30/2003	469110	270	40000	429380	0
3	M6	N	P	6/20/2003	6	23991133474	5/01/2003 5/31/2003	451885	0	0	451885	0
3	M6	A	P	1/16/2004	9	24990107953	5/01/2003 5/31/2003	429380	263	8500	421144	0
3	M7	N	P	7/20/2003	6	23991533561	6/01/2003 6/30/2003	451885	0	0	451885	0
3	M7	A	P	1/16/2004	9	24990108252	6/01/2003 6/30/2003	421144	347	9000	412491	0
3	M8	N	P	8/20/2003	30	23991798295	7/01/2003 7/31/2003	412391	0	119000	293391	0
3	M8	A	P	1/16/2004	41	24990108968	7/01/2003 7/31/2003	412391	17722	125500	304613	0
3	M8	A	P	10/20/2004	56	24991247845	7/01/2003 7/31/2003	412491	19522	183500	248513	0
3	M9	N	P	9/19/2003	7	23991969801	8/01/2003 8/31/2003	304713	132	0	304846	0
3	M9	A	P	1/16/2004	7	24990109009	8/01/2003 8/31/2003	304613	132	0	304746	0
3	M9	A	P	10/20/2004	7	24962586219	8/01/2003 8/31/2003	248513	132	2000	246646	0
3	M10	N	P	10/20/2003	12	23992205710	9/01/2003 9/30/2003	304713	6757	0	311471	0
3	M10	A	P	11/21/2003	12	23992369480	9/01/2003 9/30/2003	304713	6757	0	311471	0
3	M10	A	P	10/20/2004	13	24962588401	9/01/2003 9/30/2003	246646	7374	14000	240021	0
3	M11	N	P	11/24/2003	6	23992371726	10/01/2003 10/31/2003	304713	0	0	304713	0
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3	M12	N	P	12/19/2003	6	23992540049	11/01/2003 11/30/2003	304713	0	0	304713	0
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3	YE	N	P	1/16/2004	6	24990106823	12/01/2003 12/31/2003	304713	0	0	304713	0

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CHICAGO BOARD OF OPTIONS EXCHANGE INC PAC

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400 S. LaSalle Street

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IN-PARTY QUALIFIED
 IL 60605

ID #C00100693

FILING FREQUENCY: MONTHLY

FORM TYPE	RPT TYPE	AI	PGI	REC DATE	PGS	BEG IMAGE	COVERAGE DATES	BEG CASH	RECEIPTS	DISBURSE	END CASH	DEBTS BY
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3	M2	A	P	10/20/2004	17	24981368646	1/01/2004 1/31/2004	308259	21757	38000	292016	0
3	M3	N	P	3/19/2004	5	24990828897	2/01/2004 2/29/2004	304779	0	0	304779	0
3	M3	A	P	10/20/2004	6	24962611651	2/01/2004 2/29/2004	292016	125	0	292141	0
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3	M4	A	P	10/20/2004	8	24962612866	3/01/2004 3/31/2004	292141	139	11500	280780	0
3	M4	A	P	1/06/2005	8	25980043581	3/01/2004 3/31/2004	292141	139	11500	280780	0
3	M5	N	P	5/14/2004	5	24961301999	4/01/2004 4/30/2004	304779	0	0	304779	0
3	M5	A	P	10/20/2004	12	24991256065	4/01/2004 4/30/2004	280780	8202	8000	280983	0
3	M6	N	P	6/18/2004	5	24961663061	5/01/2004 5/31/2004	304779	0	0	304779	0
3	M6	A	P	10/20/2004	8	24991256218	5/01/2004 5/31/2004	280983	113	8500	272597	0
3	M7	N	P	7/20/2004	5	24961939179	6/01/2004 6/30/2004	304779	0	0	304779	0
3	M7	A	P	10/20/2004	8	24991257331	6/01/2004 6/30/2004	272597	133	19000	253730	0
3	M8	N	P	8/20/2004	5	24962231408	7/01/2004 7/31/2004	255675	0	0	255675	0
3	M8	A	P	10/20/2004	7	24962616424	7/01/2004 7/31/2004	253730	167	3000	250897	0
3	M9	N	P	9/20/2004	6	24971555284	8/01/2004 8/31/2004	255675	0	1000	254675	0
3	M9	A	P	11/22/2004	9	24962900635	8/01/2004 8/31/2004	250897	2401	9500	243799	0
3	M9	A	P	1/07/2005	9	25980043589	8/01/2004 8/31/2004	250897	2401	9500	243799	0
3	M10	N	P	10/20/2004	7	24991287538	9/01/2004 9/30/2004	243669	218	1500	242387	0
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3	12G	A	P	1/21/2005	11	25980306126	10/01/2004 10/13/2004	242517	0	35500	207017	0
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3	YE	A	P	1/31/2005	111	25970128252	11/23/2004 12/31/2004	207017	313361	2500	517878	0

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CHICAGO BOARD OF OPTIONS EXCHANGE INC PAC
Alan J. Dean
FILING FREQUENCY: MONTHLY

400 S. LaSalle Street

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IL 60605

ID #C00100693

FORM TYPE	RPT TYPE	AI	PGI	REC DATE	PGS	BEG IMAGE	COVERAGE DATES	BEG CASH	RECEIPTS	DISBURSE	END CASH	DEBTS BY
								TOTAL	471816	433000		

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Chicago Board of Options Exchange Inc. PAC (C00100693)

**2003 August Monthly Report/Amended 2003 August Monthly Report
Disbursement Overview**

Report Line	Original 2003 August Monthly Report	1/16/04 2003 August Monthly Amendment Amount	10/20/04 2003 August Monthly Amendment Amount	Disbursement Variance
23	\$119,000	\$125,500	\$183,500	\$64,500

**2003 Year End Report/Amended 2003 Year End Report
Additional Receipt Overview**

Report Line	Original 2003 Year End Report	Amended 2003 Year End Report	Receipt Variance
11(a)(i)	\$0	\$74,550	\$74,550
11(a)(ii)	\$0	\$850	\$850
17	\$0	\$117.58	\$117.58

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