

Date: May 31, 2001

Regulatory Circular #RG 01-75

To: The Membership

From: The Market Performance Committee

Re: Market Share Initiatives

As you are aware, a critical goal for the Chicago Board Options Exchange ("CBOE or "Exchange") is to be the preferred market place and therefore it is important for Exchange DPMs and market makers to be competitive with the specialists, LMMs and crowds at other exchanges. One way for CBOE to evaluate whether it is viewed as the market place of choice is to compare its market share on a class by class basis to the market share of other exchanges. Accordingly, in the ongoing evaluation of the market performance of DPMs and market makers, the Market Performance Committee (the "Committee") will begin to place more emphasis on market share and use that as a primary measurement of a DPM and trading crowd's ability to compete with the specialists and LMMs at other exchanges. Consequently, the Committee has set target market share standards for option classes traded on CBOE. Those standards are:

1. REGARDING THOSE CLASSES THAT WERE TRADED EXCLUSIVELY ON CBOE PRIOR TO AUGUST 1999

The Committee has determined that a precipitous drop in market share or a customer market share of less than 45%, as measured month-to-month on a rolling six month period, will trigger a review by the Market Performance Committee, or a referral and review by the Modified Trading System (MTS) Appointments Committee. If target customer market share levels are not achieved or if low market share levels are accompanied by a low ranking on the Crowd Evaluation Survey, the Committee may recommend that the class be reallocated.

2. FOR ALL OTHER CLASSES THAT ARE TRADED ON MORE THAN ONE EXCHANGE

The Committee has determined that a precipitous drop in market share or a customer market share less than parity (parity is defined as 50% market share in dually traded classes, 33% in triply traded classes, 25% in quadruply traded classes, and 20% in quintuply

traded classes), as measured month-to-month over a rolling six month period, will trigger a performance review by the Market Performance Committee, or a referral and review by the Modified Trading System (MTS) Appointments Committee. If target customer market share levels are not achieved or if low market share levels are accompanied by a low ranking on the Crowd Evaluation Survey, either Committee may recommend that the class be reallocated.

In order to assist each DPM and trading crowd assess their customer market share, the Committee will distribute to each DPM on a weekly basis, statistics regarding those classes traded at the DPM's station.

The Committee is committed to assisting all DPMs to meet their market share targets by working with the DPMs and crowds to heighten their awareness of their market share levels and to develop solid business plans that would result in meeting market share objectives.

Questions may be directed to any Market Performance Committee member or to Daniel Hustad at (312) 786-7715.