

Regulatory Circular RG01-79

Date: June 6, 2001

To: Designated Primary Market Makers (DPMs)

From: Modified Trading System (MTS) Appointments Committee

Re: Definition of a Primary DPM Designee, Alternate DPM Designee, and Alternate DPM Designee with Supervision

A DPM may act as a DPM solely through persons who are approved by the Modified Trading System (MTS) Appointments Committee (the "Committee") to represent the DPM in its capacity as a DPM ("DPM designees"). In granting any such approval, the Committee designates whether the person is being approved as a Primary DPM designee, an Alternate DPM designee or an Alternate DPM designee with Supervision. The Committee requires that DPM organizations submit written requests for approval of individuals to act as DPM designees, regardless of the individual's designation, at least two weeks in advance of the actual date the DPM organization wishes the member to act as a DPM designee. (Please address these requests to the MTS Committee, c/o DPM Administration Department, 4th Floor, CBOE.) The purpose of this circular is to set forth the parameters of each of these approvals.

Primary DPM Designee: Primary DPM designees are persons who have been approved by the MTS Committee to act in the capacity of a Primary DPM designee. Primary DPM designees are responsible for the day to day trading operation at the DPM station on the trading floor. Although Primary DPM designees are not required to be principals of the DPM Organization, Primary DPM designees must have the authority and expertise to make all trading decisions under all market conditions. At least one primary DPM designee should be at the trading station at all times during trading sessions **with the exception of short (no longer than one hour) breaks**. Because of the importance of the role of the Primary DPM designee, DPM Organizations are encouraged to include more than one Primary DPM designee in their organizational structure.

The Committee expects Primary DPM designee candidates to have considerable trading experience either as a market maker, floor broker and/or Alternate DPM designee. They must have demonstrated the good business sense that is demanded of a DPM designee. **An Alternate DPM designee may not be approved to act as a Primary DPM designee unless there is a demonstration that the Alternate has actively traded at a DPM station.**

Alternate DPM Designee: Alternate DPM designees are persons who have been approved by the MTS Committee to act in the capacity of an Alternate DPM designee. Alternate DPM designees are responsible for assisting the Primary DPM designee in the day to day trading operation at the DPM station on the trading floor. Alternate DPM designees may assume full responsibility for the operation of the trading station for limited intervals of time when relieving the Primary DPM designees for lunch or other short breaks. Because the Alternate may have to act in place of a Primary DPM designee when the Primary DPM designee is not present at the DPM station, the Committee also expects Alternate DPM designee candidates to have trading experience as either market maker, floor broker and/or Alternate DPM designee with Supervision. Alternate DPM designee candidates must have historically demonstrated the good business sense that is demanded of a DPM designee and Alternate DPM designee must have the authority to make final trading decisions in the absence of a Primary DPM designee.

Alternate DPM Designee with Supervision: An Alternate DPM designee with Supervision is a person who is approved by the Committee to be in training to become an Alternate DPM designee. Under no circumstances may an Alternate DPM designee with Supervision be present and trading at a DPM station in the absence of a Primary DPM designee. An Alternate DPM designee with Supervision cannot act as an Alternate DPM designee until the Committee authorizes such action. *Questions regarding this circular may be directed to Cynthia Mullen at (312) 786-7725.*

This regulatory circular supersedes Regulatory Circular RG00-09.