

Regulatory Circular RG01-82

Date: June 13, 2001

To: Members and Member Firms

From: Regulatory Services Division

RE: RAES Eligibility in OEX and DJX

A rule filing has been approved by the SEC amending Rule 24.17, *RAES Eligibility in OEX and DJX*. Rule 24.17 has been amended to : (1) eliminate the requirement that a OEX or DJX market-maker must execute at least 75% of his or her market-maker contracts for the preceding calendar month in the option class in which the market-maker is participating on RAES, (2) eliminate the requirement that a OEX or DJX market-maker must execute in-person at least 75% of his or her market-maker trades for the preceding calendar month in the option class in which the market-maker is participating on RAES, (3) eliminate the requirements that in order to qualify to participate on RAES in both OEX and DJX, a market-maker must execute at least 75% of his or her market-maker contracts, and must execute at least 75% of his or her market-maker trades in person, for the preceding calendar month in (i) OEX; (ii) DJX; or (iii) both OEX and DJX combined, (4) eliminate the cap on the maximum number of market-makers that may participate in a RAES group in OEX and DJX, and (5) add a "brief interval" exception to the log-off requirements of OEX and DJX market-makers.

RAES Eligibility Requirements

The Rule, as amended, provides that a market-maker may log onto RAES in OEX or DJX if the market-maker has signed the RAES Participation Agreement and completed the RAES instructional program, has been approved by the Exchange as a market-maker with a letter of guarantee, and is maintaining his or her principal business on the Exchange as a market-maker. Additionally, a market-maker may log onto RAES in OEX and DJX if the market-maker meets the requirements set forth in the foregoing sentence and as long as OEX and DJX options continue to be traded in the same physical trading structure on the floor of the Exchange. Members are reminded that a market-maker must be present in the particular trading crowd where the class is traded while he or she is participating in RAES for that class.

RAES Groups

Rule 24.17(e)(i) previously required that a RAES group in OEX or DJX could not exceed the lesser of (1) 50 RAES participants; (2) 25 % of the average number of RAES participants for the prior quarter, or (3) a smaller maximum number set by the appropriate Committee. This requirement has been eliminated from the Rule.

Log Off Requirements

The Rule, as amended, provides that any market-maker who has logged onto RAES in OEX or DJX must log off RAES whenever he or she leaves the OEX or DJX trading crowd for other than a brief interval. What constitutes a brief interval in OEX and DJX is determined by the appropriate Committee, as defined in paragraph (a)(iii) of Rule 24.17. The Index Market Performance Committee has defined a brief interval in OEX and DJX to mean no more than 10 minutes.

Questions relating to these changes may be directed to Pat Cerny at 786-7722 or to Joanne Heenan-Hustad at 786-7786 in the Department of Market Regulation.