



Regulatory Circular RG01-116

Previously distributed as
Information Circular IC01-106

Date: 7/19/01

To: CBOE Members and Member Firms

From: Trading Operations

Subject: RAES 100 Spoke Enhancements

Previously, the RAES 100 Spoke calculation allocated spokes based on a market maker's percentage of the total trading volume over the last 10 trading days. This method can result in a "vacation penalty" if a market maker takes off even a single trading day over the 10-day "lookback period". In such instances, the market maker will be allocated a number of spokes that is less than the market maker's average daily percentage of the trading volume.

To address this issue, the first of two changes to the 100-spoke lookback has been implemented. This change will allow the calculation to look at the last 10 days in which the market maker had trading activity out of the previous 30 trading days. This change mitigates the 'vacation penalty' that the current calculation imposes.

Further adjustment to eliminate variances caused when one market takes off on a busy day and another takes off on a slow day.

A second change will be implemented in a couple of months. This second change will standardize the lookback and eliminate the variances that result when one market maker takes off on a busy day, while another takes off on a slow day. This will be done by taking each market maker's average daily percentage of the total volume over the past 10 trading days in which the market maker has activity.

The new calculation would work as follows on a class basis, for each day the Market Maker's percent of daily volume would be calculated. The percentages of the last 10 days traded would be averaged. Each Market Makers average would then be divided by the sum of Market Maker's averages to get the spokes. The calculation change ensures a much more stable spoke allocation.

Any questions concerning this circular may be directed to Michael Hollerman at (312)-786-7197.