



Regulatory Circular RG03-102

Date: November 4, 2003

To: Member and Member Organizations

From: Index Market Development and Market Performance Committee

Re: Maximum Percentages of RAES transactions and contract volume effective November 2003

This Circular makes one amendment to Regulatory Circular RG-03-53: the Index Market Development and Market Performance Committee (the "Committee") has determined that because DJX and DIA trade in the same station, transactions in DJX and DIA will be considered together as one class for purposes of determining RAES transaction percentages per Rule 24.17(b)(vii). In all other respects, RG03-53 remains in effect. For members' convenience, the amended Circular is restated as follows:

Pursuant to revised Exchange Rule 24.17(b)(vii), Committee is authorized to establish and enforce maximum percentages of transaction and contract volume that market-makers in Broad-Based Index Options and Options on Exchange-Traded Funds on Broad-Based Indexes (collectively, "index-related options") can execute through RAES transactions. The Committee believes that establishing maximum RAES percentages for index-related options will help to ensure that market-makers standing in an index-related option crowd live up to their obligations to improve, update and honor markets in their appointed option classes.

This is a reminder that as of the November 2003 expiration cycle, the Committee established that market-makers in the following option classes shall be limited to the following maximum percentages of RAES transactions and contract volume through RAES transactions:

<u>Class</u>	<u>Max. % of Transactions</u>	<u>Max. % of Contracts</u>
OEX	25%	15%
SPX	25%	15%
DJX and DIA	25%	15%

The Committee will monitor the RAES activity of all Market-Makers in the DJIA, MNX, NDX, OEX, RUT, SPX and other index-related option classes to determine if any changes are necessary in these maximum percentages in the future, and will continue to announce the applicable maximum percentages in advance.

As provided in Exchange Rule 24.17(f)(ii), Market-Makers who exceed the maximum RAES percentages set by the Committee pursuant to Exchange Rule 24.17(b)(vii) may be subject to remedial action by the Committee, including but not limited to, suspending a member's eligibility for participation on RAES, reducing the number of contracts of which the member is allowed to be on RAES, and/or such other remedies as may be appropriate and allowed under Chapter VIII of the Exchange Rules. Members exceeding the maximum percentages may also be subject to disciplinary action under Rules including but not limited to Exchange Rules 6.20 and Exchange Rules Chapter XVII.

Please contact Jonathan Flatow at x10723 or Daniel Hustad at (312) 786-7715 with any questions.

Replaces Regulatory Circular RG-03-53