

Regulatory Circular RG05-129

Date: December 22, 2005

To: Members and Member Organizations

From: Index Market Performance Committee

Re: Maximum Percentages of RAES transactions and contract volume effective January 2006

Pursuant to revised Exchange Rule 24.17(b)(vii)(A), the 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 January 2006, the Committee established that market-makers in the NDX as well as the previously monitored 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>
NDX	25%	15%
OEX	25%	15%
SPX	25%	15%

The Committee will monitor the RAES activity of all Market-Makers in the NDX, OEX, 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 Dennis Carta at x10782 or Daniel Hustad at (312) 786-7715 with any questions.

Replaces Regulatory Circular RG03-102