



## **Regulatory Circular RG06-41**

**TO: Members and Member Firms**

**FROM: Index Market Performance Committee**

**DATE: April 28, 2006**

**RE: Minimum Market Share Requirements**

This Regulatory Circular replaces RG05-56.

CBOE Rule 8.60(c) provides that a finding after hearing by the appropriate Market Performance Committee that market participants have failed to satisfy its market responsibilities may result in, among other things, the relocation or reallocation option classes to other trading crowds. In evaluating and determining whether market participants have failed to satisfy their market responsibilities, the Index Market Performance Committee ("IMPC") may consider any relevant information, including statistical measures of performance and other factors and data.

The IMPC has determined that as part of its evaluation, in addition to considering other relevant measures of performance, it will give considerable weight to a trading crowd's market share. In this respect, the IMPC will consider whether the trading crowd has attained an average market share of at least parity (parity is defined as 50% market share in dual traded classes, 33% in triple traded classes, 25% in quadruple traded classes, 20% in quintuple traded classes, and 16.67% in sextuple traded classes), as measured month-to-month over a rolling three-month period. When considered with other relevant information, the failure to attain parity over such time frame may trigger a performance review by the IMPC and may result in remedial action after a hearing as set forth under Exchange Rule 8.60, including, but not limited to the reallocation of option classes to other trading crowds.

The Committee may consider as mitigating or aggravating factors the increase or decrease in market share during the previous quarter, as well as AQWA scores and historical data.

In order to assist each DPM and trading crowd with assessing their market share, upon request the Committee will distribute to each DPM on a monthly basis statistics regarding market share in the classes traded at the DPM's station.

The Committee is committed to assisting all DPMs to meet their market share targets by working with the DPMs and crowds to heighten their awareness of their market share levels and to develop solid business plans that would result in meeting market share objectives.

If you have any questions regarding the above, please contact either Jonathan Flatow, Chairman, IMPC at x10723 or Daniel Hustad, Vice President, Market Quality Assurance at (312) 786-7715 or any member of the IMPC.

