



To: Members

From: Equity Market Performance Committee

Date: September 27, 2006

Re: DPM and e-DPM Rebalancing

The SEC has approved a CBOE rule change that modifies DPM and e-DPM membership ownership requirements under Rules 8.85 and 8.92, respectively (see SR-CBOE-2006-58). A copy of the rule change is available on CBOE's website at www.cboe.com.

Excess Membership Capacity

DPMs. In the event the member organization approved as the DPM is also approved to act as an RMM and/or e-DPM, and has excess membership capacity above the aggregate appointment cost for the classes allocated to it as the DPM, the member organization may utilize the excess membership capacity to quote electronically in an appropriate number of Hybrid 2.0 Classes in the capacity of an RMM and not trade in open outcry, or to quote electronically in the Hybrid 2.0 Classes in which it is appointed an e-DPM. The member organization will not function as a DPM in any of these additional classes.

E-DPMs. Similarly, in the event the member organization approved as the e-DPM organization is also approved to act as an RMM and/or DPM, and has excess membership capacity above the aggregate appointment cost for the classes allocated to it as the e-DPM, the member organization may utilize the excess membership capacity to quote electronically in an appropriate number of Hybrid 2.0 Classes in the capacity of a RMM and not trade in open outcry, and/or to quote electronically and trade in open outcry in the classes in which it is appointed a DPM.

The New RMM Appointment Request Process for DPMs and eDPMs

On October 5, 2006 at 10:00 a.m., the CBOE will begin accepting "indications of interest" from effective DPMs and eDPMs for specific RMM appointments. RMM class appointment requests must be submitted electronically via the CBOE members website. Each request will be time-stamped upon receipt and used to place the applicant in the appointment request queue on a first come, first served basis. Once an order has been established, a member of the MQA Department will contact each DPM in order of their placement in the queue and process their class appointment requests. Only one request per DPM and/or eDPM organization will be accepted. Members will be allowed to request appointments in any available class, and may indicate to the Exchange any contingencies they seek for the appointment.

NOTE: Any programmatic means of submission will be rejected and the requesting IP address may be denied further access to the site.

The following is the link that will allow you to make your RMM appointment request submission: <http://www.cboe.org/DPMIndication/>. This website will not be active and populated with the necessary fields until 9:45 a.m. CST on **October 5th**. In order to avoid complications on October 5th, please access this link to validate your connection beginning on Friday, September 30th, but certainly before **October 5th**.

Rebalancing of Tiers

The Exchange rebalances the "tiers" set forth in Rule 8.3, excluding the "AA" and "A+" tiers, once each calendar quarter, which may result in additions or deletions to their composition. The next rebalance will become effective on November 1st, 2006. Please be aware that quarterly rebalances may alter the excess membership capacity a DPM or eDPM will have for purposes of quoting electronically in an appropriate number of Hybrid 2.0 Classes in the capacity of an RMM. DPMs and eDPMs will be notified of any change to the tier composition prior to November 1st, 2006.

If you have any questions regarding the rebalance, please contact any member of Market Quality Assurance, at (312) 786-7198. For additional information regarding the rule change, please refer to CBOE rule filing SR-CBOE-2006-66, or contact Patrick Sexton, Legal Division, at (312) 786-7467.