



400 South LaSalle Street
Chicago, Illinois 60605-1023
www.cboe.com

Regulatory Circular RG08-73

Date: June 13, 2008

To: Members and Member Organizations

From: Regulatory Services Division

Re: OCC Rule Change – Automatic Exercise Thresholds/Expiring Exercise Declarations

The Options Clearing Corporation ("OCC") recently received approval from the SEC to reduce the automatic exercise thresholds for equity options. This change is effective for the June 2008 expiration, which is Saturday, June 21st.

Under the expiration procedures, options that are in the money at expiration by the specified threshold amount or more are exercised automatically unless the clearing member carrying the position instructs OCC not to exercise. For equity options, the threshold amount will be reduced from \$.05 to \$.01 in a clearing member's customer, firm, and market maker account.

For example, if a clearing member has an equity option position in the customer account, which is in the money by \$.01 or more, the position will be automatically exercised. However, if the clearing member does not want to exercise this position, they must notify OCC and submit an Expiring Exercise Declaration ("EED")¹ or an instruction not to exercise to the CBOE in accordance with CBOE Rule 11.1 and Regulatory Circular RG04-36.

As a result of this change, any notifications of standing instructions for the purpose of submitting EEDs currently on file with the CBOE will be considered **void**. Going forward, any member firm wishing to notify the CBOE of new standing instructions may do so by emailing the instructions to kimj@cboe.com or faxing the instructions to:

Ji Min Kim, Manager
Department of Market Regulation
400 S. LaSalle St.
Chicago, IL 60605
Fax: (312) 786-7982

Please be advised that notice to the Exchange of standing instructions in no way relieves a member organization of its need to separately inform OCC of its exercise instructions. Member organizations must retain dated standing instructions on file and submit copies of the instructions to the appropriate SRO. Market-makers' standing instructions need only be forwarded to the exchange where the market-maker is a member.

Any questions regarding the foregoing may be directed to the attention of Ji Min Kim at (312) 786-7043.

¹ Formally known as Contrary Exercise Advice ("CEA").