The ChicagoBoard Options Exchange

LaSalle at Van Buren
Chicago, Illinois 60605 312 786-5600

DATE: October 11, 1989

TO: Members and Member Firms

FROM: Department of Market Surveillance

RE: Effect of Exercises on Positions for Position Limit Purposes

When an option position is irrevocably exercised, the position no longer exists for the purpose of determining whether the Exchange's Position Limits are exceeded. A position may be considered irrevocably exercised at the time an exercise notice is completed and time stamped provided that the position is subsequently exercised at the Options Clearing Corporation (OCC). It is important to note that irrevocable exercise instructions must be executed and time stamped on the final day of trading prior to an expiration date if a member or customer desires to eliminate a position from consideration for position limit purposes. This holds true even though a position may be subject to the OCC's automatic exercise procedures. Copies of all irrevocable exercise instructions must be maintained by both entering and clearing members for a period of not less than six years, the first two in an easily accessible place.

Any questions pertaining to this matter should be directed to Pat Cerny at (312) 786-7722.