

Date: September 21, 1994

Regulatory Circular 94-66

To: RAES Participants

From: Legal Department  
Trading Operations Division

Re: RAES Participant Agreements

Since the inception of the Retail Automatic Execution System (RAES) in 1986, the Exchange has utilized "RAES Participant Agreements" to assure that members participating in the system are aware of the rules and procedures relating to RAES. On a number of occasions since the inception of RAES, the rules and procedures relating to the system have been changed. When changes in the rules and procedures have been implemented, the RAES Participant Agreements have been revised to reflect the new rules and procedures.

The membership was recently advised in Regulatory Circular 94-59 of a recent change in the Rules relating to RAES in the equity and SPX classes of options. Specifically, CBOE Rules 8.16 and 24.16 now impose fees and other remedial actions on market makers who fail to observe log-on and log-off requirements in equity options and SPX index options.

The recent effort to implement revisions to the RAES Participant Agreement reflecting the changes described in Regulatory Circular 94-59 have caused a number of members to question the nature and purpose of RAES Participant Agreements. These agreements have been used since the inception of RAES to assure that members are fully aware of all of their obligations when participating in RAES. It has now been determined that the RAES Rules and related regulatory circulars adequately address this objective and therefore the RAES Participant Agreements are no longer necessary.

As a result of the above determination, all RAES Participant Agreements in the possession of the Exchange are considered null and void and these agreements will no longer be utilized. Notwithstanding the decision to nullify these agreements, the current RAES rules and procedures remain in full force and effect. The Exchange will make available to members their most recently submitted RAES Participant Agreement upon request to their OBO or the RAES Supervisor.

Members are encouraged to read the recently amended Rules 8.16 and 24.16 as well as Regulatory Circular 94-59 to assure a full understanding of their obligations when participating in RAES. Any questions concerning these Rules or this memorandum may be directed to Gail Flagler at 786-7314 or Daniel Hustad at 786-7715.