

Regulatory Circular RG96-83

Date: September 13, 1996

To: All Members and Member Organizations

From: Market Operations Department

Re: As of Add Summary Fine Program

Effective October 1, 1996, the as of add fee program under Exchange Rule 2.26 will terminate and a revised version of the as of add summary fine program under Exchange Rule 17.50(g)(7) will take effect. Specifically, individual members and clearing members will no longer be assessed fees under Rule 2.26 for submitting more than a nominal level of as of adds. In addition, a revised as of add summary fine schedule will take effect. This circular summarizes the as of add summary fine program that will take effect on October 1, 1996.

(1) The Rule. Under Rule 17.50(g)(7)(a), any individual member who fails for more than 5% of the member's transactions in any month to submit on the date that a transaction is executed the trade information required by Exchange Rule 6.51 will be subject to the following fines:

<i>Number of Infractions in Any Twelve-Month Period</i>	<i>Fine Amount</i>
1st Infraction	Letter of Information
2nd Infraction	Letter of Caution
3rd Infraction	\$500
4th Infraction	\$1,000
5th Infraction	Referral to Business Conduct Committee

Accordingly, any individual member with an as of add rate in a given month that is greater than 5% will be subject to the above fine schedule.

(2) What Constitutes an As of Add. Any trade submitted to the CBOE Trade Match System after the day of execution is considered an as of add. For example, if a member does not card a trade and must add it the next morning, this is considered an as of add. The following items, often appearing as outrades the next morning, generally do not constitute as of adds:

- Price differences where one member changes their price to agree with the opposite side.
- Quantity differences where one side adjusts its quantity without adding a new record.
- Series differences where one side must change the series on their unmatched record.
- Broker or firm differences where one side must change the opposing name(s).

(3) Suspension of As of Add Summary Fine Schedule. Under unusual circumstances affecting the ability of a significant number of members to submit trade information to the Exchange on a timely basis, the Clearing Procedures Committee may, under Rule 17.50(g)(7)(b)

and with the approval of the President of the Exchange or of the President's designee, suspend application of Rule 17.50(g)(7)(a) for a period not to exceed 7 calendar days at any one time (which may be extended by subsequent suspensions implemented in each case under the procedures required by Rule 17.50(g)(7)(b)). Such a suspension order, which may be retroactive, is required to be in writing and state the reasons for the suspension. Rule 17.50(g)(7)(b) also requires that the suspension order be communicated to the membership by Exchange publication (which may be issued after the effective date of the order) and be kept on record by the Secretary of the Exchange. In addition, it should be noted that the Securities and Exchange Commission expects the Exchange to use its authority to suspend the application of Rule 17.50(g)(7)(a) only in "highly unusual circumstances". (See SEC Release No. 34-37651)

(4) Right to Contest. Any member who receives an as of add summary fine may request verification of the fine pursuant to Interpretation and Policy .03(c) and (d) to Rule 17.50. In addition to the right to request verification, any member who receives an as of add summary fine may contest the fine before the Appeals Committee under the provisions of Rule 17.50(d).

Please be advised that members wishing to request verification of, and/or contest, as of add summary fines must comply with the deadlines and all of the other procedural requirements set forth, respectively, in Interpretation and Policy .03 to Rule 17.50 and Rule 17.50(d). Therefore, members who wish to request verification of, and/or contest, as of add summary fines are advised to consult the specific provisions of Interpretation and Policy .03 to Rule 17.50 and Rule 17.50(d).

Questions concerning this circular may be directed to either Patrick Fay (312-786-7520) or Charlie Hullihan (312-786-7176) of the Market Operations Department.

(Regulatory Circulars RG94-85, RG95-14, and RG95-27, Revised)

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