

Regulatory Circular RG97-73

Date: June 10, 1997

To: Members and Member Organizations

From: Strategic Planning

Re: CBOE Structured Product Information

This memo is intended to answer frequently asked questions regarding trading of structured products (Chapter 30 or stock products) on CBOE. Additional information may be obtained by contacting the relevant CBOE staff member listed at the end of this memo.

Background: Structured Products

Structured products are traded and cleared like stock. In cases where such products are trading on more than a single market the Intermarket Trading System (ITS) links the markets together. Most importantly, please review the rules of order priority, bid and offer parity, for Chapter 30 securities because there are some differences from those in effect for options trading; Reg Circular 96 - 59 describes the trading rules governing Chapter 30 securities. Finally, clearing and settlement is T+ 3 rather T+1 as in options. CBOE currently trades 6 structured products and expects to list several more over the coming months.

1. How do I become eligible to trade structured products?

All CBOE members (including CBOT exercisers) are potentially eligible to trade any structured product on the CBOE. In order to participate as market makers or act as brokers in such products, a member must become "stock qualified." This entails the following:

- (1) Obtain a Letter of Guarantee (Authorization for floor brokers) from a clearing firm acknowledging responsibility for trades in stock products - the necessary form may be obtained at the Membership Dept. on the 6th floor.
- (2) Present this Letter to the CBOE Membership Department.
- (3) You will be asked by Membership to confirm that you are familiar with the stock trading rules in Chapter 30.

Upon completion of these requirements, the Membership Dept. will provide the member with a stock trading sticker that must be affixed to the badge in order to participate in trading of structured and other stock side products.

2. How are Structured Products Traded and Cleared?

The procedures involved in processing and clearing structured products differ from those for options:

(a) Structured Product Orders:

(a) Orders may be routed electronically to the Exchange over a member firm's stock order routing line.

(b) Phone and manual orders should be entered on **stock** trade tickets available at the post where the product trades or on **stock** trade tickets provided by an approved clearing member firm. Orders must be marked "long", "short", or "short exempt" (unless the product is exempted from the short sale zero plus tick test). Orders should include the same clearing firm numbers or acronyms used to record an options trade.

(b) Clearing Structured Product Transactions: Trades are price reported and submitted to clearing by the DPM.

Trades executed on the CBOE Securities Trading System (CSTS) are 'locked'. Clearing records are automatically generated at the time of execution. These are transmitted to NSCC for clearing at the end of the day. Trades for all firms will be sent to the NSCC. Trade confirmations may be picked up at the post where the product trades. There is no need to submit trades to clearing; this occurs as a part of the trade process.

3. Can my firm receive an end-of-day report of trades?

An end-of-day report listing all transactions is available from the Trade Processing Window each evening at approximately 4:30 p.m. CST. Firms can also extract a machine readable file of their transactions via the CTM Outbound Network at 3:30 p.m.

4. What Trade Blotter will report CBOE Structured Product transactions?

All CBOE structured product transactions appear on NSCC's Regional Interface Operations (RIO) Report. This report is available in either print format (#124) or machine readable format (#125). RCB is the ID for CBOE in the exchange field. For some firms the trades will also appear on NSCC's Correspondent Trade Input Report. All ITS transactions at CBOE will identify clearing firm #711 (CBOE) as the opposing party to the transaction.

5. How can I find quote and last sale information for CBOE Structured Products?

CBOE structured products may be accessed as follows:

VENDOR	STOCK	WARRANT
PC Quote	[SYMBOL]	[SYMBOL]/WS
Bridge	[SYMBOL]	[SYMBOL]'
ILX	[SYMBOL]	[SYMBOL]'
Bloomberg	[SYMBOL] [EQUITY][GO]	[SYMBOL]/WS[EQUITY][GO]
Shark	[SYMBOL]	[SYMBOL]/WS

ADP	[SYMBOL]	[SYMBOL](ws)
Reuters	[SYMBOL].W	[SYMBOL]_t or [SYMBOL][shift f7]
Qutron	[SYMBOL]	[SYMBOL]WS
Track Data	[SYMBOL]	[SYMBOL]'

Detailed information describing specific CBOE listed structured products may be obtained from Investor Services by calling 1-800-OPTIONS. Available materials include prospectuses and product description sheets.

6. Are there any special customer qualifications for these products?

All CBOE listed structured products may be traded in a stock account. Certain structured products, for example warrants, have special customer suitability requirements which may be similar to or identical with those for options. Others, such as index linked notes, do not have any special suitability requirements. Regulatory circulars describing the requirements for a specific product may be obtained from the Regulatory Services Division (see list of CBOE staff contacts below).

CBOE Contacts for Structured Product Issues

Product Descriptions/Prospectuses	Investor Services	1-800-OPTIONS
ITS/Customer Complaints	Greg Rich	7847/689-1018
ITS/Customer Complaints	Rod Ely	7794
ITS/Customer Complaints	Floor Booth	4068
Buy-Ins	Kevin Devlin	7232
Regulatory Issues	Steven Slawinski	7744
Regulatory Issues	Margaret Williams	7834