

Regulatory Circular RG97-106

Date: August 21, 1997
To: Members and Member Organizations
From: Membership Department
Re: Option Trading Permit Lease Pool Procedures

In connection with the transfer of the New York Stock Exchange (NYSE) option program to the CBOE, the Exchange created and issued seventy-five Option Trading Permits. The Permit gives the holder limited member status by entitling the holder to only the following trading rights and privileges:

1. To be admitted to the trading area on the second floor for the purpose of engaging in the activity of a Market Maker, DPM and/or Floor Broker in the option classes that are located in that area, which classes are the former NYSE option classes that are not also traded on the CBOE main trading floor, and any classes which are subsequently allocated to the second floor trading area and;
2. To trade by order as principal those classes of equity options that were traded on both the CBOE and the NYSE immediately prior to the relocation of the NYSE option program to the CBOE and;
3. To trade by order as principal all classes of options traded on the CBOE in addition to those described in paragraphs 1 and 2 above, provided that the Permit holder's total contract volume in such classes of options during any calendar quarter may not exceed twenty percent (20%) of the sum of such Permit holder's total in person contract volume as principal effected pursuant to paragraph 1 above and the Permit holder's contract volume pursuant to paragraph 2 above and;
4. To be admitted to the main CBOE trading floor for the purpose of responding to the call of a Board Broker or Order Book Official pursuant to Rule 7.5 in respect of any class of options in which a transaction has been effected for the Permit holders account on the day of the call.

The Exchange deposited into a "lease pool" those Option Trading Permits not issued to NYSE option members, plus any Option Trading Permits which, following their issuance to NYSE option members, were surrendered by those members. There are currently twenty-six Permits in the lease pool. These Permits were allocated to lessees pursuant to a competitive bidding process. **All current Option Trading Permit leases expire October 31, 1997.**

Operation of the Lease Pool

Permits in the lease pool will be re-allocated through a competitive bidding process which operates as follows:

1. The Exchange will accept from members and non-members who have qualified for membership sealed bids equal to the monthly rent that the bidder is willing to pay for a month-to-month lease from November 1, 1997 through April 30, 1998. All bids must be submitted in writing to the Membership Department and will be accepted until at 4:00 p.m. Friday, September 12, 1997.
2. Upon the close of the bidding period, Permits in the pool will be awarded to the highest bidders in

a number equal to the total number of Permits in the pool at that time. In the event that there is more than one bid at the cut-off level, the bid received first in time will have priority.

3. The monthly rent to be paid by a lessee will be the dollar value of the bid submitted by that lessee. Lease payments will be collected by the Exchange at the beginning of the month.
4. Following the auction, bids for Permit leases will continue to be accepted. The high bid will be posted without the identity of the bidder attached.
5. Should any lessee desire to give up his Permit prior to the next auction, the Membership Department will post the availability of the Permit for one full trading day. The Permit will then be transferred to the bidder with the highest bid at 4:30 p.m. on that trading day.
6. A lessee who gives up his Permit prior to the end of the month will be reimbursed in the amount of the new lessee's prorated lease payment for the balance of that month.
7. All Permits in the lease pool will be re-auctioned in the manner described in #1 and #2 above every six months. No priority will be given to current lessees.
8. Bidding restrictions:
 - a. Bids may be submitted by individuals or organizations on behalf of identified individuals.
 - b. The person proposed to occupy a Permit must be a member or qualified to become a member at the time the bid is placed.
 - c. A non-refundable fee of \$500 will be required at the time a bid is submitted.
 - d. No minimum bid price will be set. Minimum bid increments will be \$50.
 - e. No lease of a Permit in the lease pool will become effective until there has been deposited with the Membership Department of the Exchange a Letter of Guarantee from a Clearing Member in the amount equal to the last sale price of a Permit, except that during the first year of the Permits (during which no Permits may be bought or sold) the amount shall be \$50,000.

Questions concerning the terms of the Permits or the operation of the Permit lease pool may be directed to Edward L. Provost at 312-786-7717. Questions concerning the steps necessary to obtain "qualified" status for the purposes of submitting a bid for a Permit lease may be directed to the Department of Membership at 312-786-7460.

(RG97-28 Revised)