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Regulatory Circular 97-128

Date: Wednesday, October 1, 1997
To: Membership
From: The Dow Jones Advisory Task Force
Re: Trading Issues Related to DJX Options

In anticipation of the launch of Dow Jones Industrial options, the Dow Jones Advisory Task Force has established the following policies. The membership should be reminded that the trading of options on the Dow Jones Industrial Average is a tremendous opportunity, but at the same time the competition will be intense. The Dow Jones Task Force has set standards for all traders- Market Makers and Floor Brokers- that exceed those that have been set before.

1. The opening process will be conducted similarly to that of OEX. Emphasis is being put on opening the DJX as quickly as possible. As a result, all series except three or four strikes in the first two months of the standard options and all the LEAPS will be done utilizing the Lead Market Maker System. LMMs will have reserved spots in the DJX pit.
2. Broker/Dealer and Firm orders will be allowed to route to PAR or mobil PAR as they currently do in OEX. It will be the responsibility of the broker representing the order to ensure that proper priority is given to non B/D customer orders.
3. To be consistent with the current procedures in OEX, based on firm volume parameters all pre-opening customer orders will route to the book.
4. "D" booking parameters will be in place, that is all orders up to and including the existing bid or offer will route directly to the book.
5. RAES will be set at 50 contracts for all series including LEAPS. There will be separate wheels for the standard options and the LEAPS.
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6. RAES will take priority over the book in all series other than the LEAPs series.

7. Telephone access in the DJX pit will be akin to the open access policy which is in SPX.
8. Each broker operation that dedicates a full time broker to the DJX pit, will be provided with one exchange phone. If an operation requires more phone capacity, they will be charged for phones based on the standard fee schedule.
9. Each Floor Broker will be allowed one clerk in the pit. Market Makers will not be allowed to have clerks in the pit.
10. Floating Floor Brokers will be required to come at least two feet into the DJX pit when representing an order. The "trade zone" boundary will be well marked around the entire pit. There will be several points of entry both from behind the DJX pit and from the OEX pit into the DJX pit. Market Makers must be within the DJX pit but not the "trade zone" boundary to make markets and to execute trades.
11. Communication using OEX hand signal conventions will be expected.
12. The area immediately north of the DJX pit has been designated to house eight arbitrage execution operations.