

Regulatory Circular RG98-52

Date: May 12, 1998

To: The Membership

From: Modified Trading System (MTS) Appointments Committee

Re: DPM Equity Guidelines

Pursuant to Exchange Rule 8.80, the Modified Trading System (MTS) Appointments Committee (the "Committee") adopted the following DPM equity guidelines. The Committee has adopted these guidelines for DPMs in order to prudently administer the DPM Program. This circular replaces Regulatory Circular RG96-46.

1. In order for a DPM to apply for allocation of product, the DPM must have in its DPM account \$350,000 plus \$25,000 in excess equity for each class or product that the Allocation Committee or Special Product Assignment Committee has allocated to the DPM in excess of the initial eight products.
 - a. If a DPM's equity falls below the level set forth in paragraph 1, the DPM will not be allowed to receive additional allocations, and the DPM must submit to the Committee within five business days a business plan to restore the equity to the level prescribed in paragraph 1.
 - b. If a DPM's equity falls below 65% of the level set forth in paragraph 1, or less than 120% of the minimum capital required by SEC Rule 15c3-1, the Committee may immediately begin the process of appointing an interim DPM.
 - c. Such interim DPM will serve in the capacity of DPM for a minimum of 20 business days to allow the Committee an opportunity to review the situation and to allow the displaced DPM an opportunity to present to the Committee a comprehensive plan to rectify the DPM's financial situation.
2. Notwithstanding the above minimum equity standards, the MTS Committee must relieve a DPM of its appointment if the Department of Financial Compliance and Sales Practice presents a report to the Committee indicating that the DPM's net capital is less than the minimum required by SEC Rule 15c3-1.
3. The MTS Committee will review each DPM on a periodic basis. These reviews are intended to ensure that all DPMs are operationally sound and that no DPM is allocated a disproportionate number of classes so as to interfere with the operation of CBOE markets in the event that the DPM is unable to meet its obligations.

4. The MTS Committee may communicate the results of such reviews to the Allocation Committee or the Special Product Assignment Committee in the form of a written recommendation stating whether or not the DPM should be allocated additional product.

These guidelines will be periodically reviewed by the MTS Committee and may be modified accordingly. Any questions regarding this policy may be directed to the attention of Daniel R. Hustad at (312) 786-7715.

(This circular replaces Regulatory Circular RG96-46.)

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