

**Regulatory Circular RG99-44**

**To: Members**

**From: Regulatory Services Division  
Trading Operations Division**

**Re: Restrictions on Exercise of American-Style, Cash-Settled Index Options**

**Date: February 17, 1999**

CBOE Rules 4.16(b) and 11.1.03 generally provide that the exercise of an American-style, cash-settled index option (including an OEX option) is prohibited during any time when trading in that option is delayed, halted, or suspended. This general provision is subject to the following exceptions:

- The exercise of an American-style, cash-settled index option while trading in the option is delayed, halted, or suspended will not be considered a violation of CBOE rules if it can be documented in a manner prescribed by CBOE that the decision to exercise the option was made during allowable time frames prior to the delay, halt, or suspension.
- Exercises of expiring American-style, cash-settled index options shall not be prohibited on the last business day prior to their expiration.
- CBOE's President or his designee may determine to permit the exercise of American-style, cash-settled index options while trading in such options is delayed, halted, or suspended.

CBOE has also submitted a rule filing to the Securities and Exchange Commission (SEC) which proposes to provide that the exercise of an American-style, cash-settled index option will be permitted during any trading halt in that option which occurs at or after 3:00 p.m. (CT). This rule filing (which is currently pending before, and has not yet been approved by, the SEC) would eliminate the need for the President or his designee to make a determination to permit exercises in the above circumstances and would automatically permit exercises to occur. The rule filing also notes that, in general, any determination by the President or his designee to permit exercises during a trading halt which occurs before 3:00 p.m. (CT) would be based on extraordinary circumstances.

In this regard, please be advised that it is likely that the President or his designee will determine under the Exchange's current rules to permit the exercise of an American-style, cash-settled index option during a trading halt in that option which occurs at or after 3:00 p.m. (CT). In such an event, exercises would likely be permitted to occur through the regular 3:20 p.m. (CT)

exercise cutoff time, during any closing rotation in the option, and for five minutes after any such closing rotation.

Any questions regarding this circular may be directed to Mary Bender at (312) 786-7923 or to Edward Joyce at (312) 786-7310.

(This circular supplements the provisions of CBOE Regulatory Circular RG98-84 which are applicable to CBOE.)

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