

Date: May 18, 1999

Regulatory Circular #RG99-124

To: Membership

From: The Allocation Committee

Re: Delisting Option Classes, Listing and Delisting Series of Option Classes

The Board of Directors, upon the recommendation of the Allocation Committee, has determined that the Exchange's policies regarding option class delisting, series listing and series delisting should be revised to provide for a more efficient utilization of resources. By implementing these new policies, the Exchange will help conserve quote capacity both internally and at the vendor level. The new policies are:

Option Class Delisting Policy

A. For Solely Listed Option Classes, Including CBOE Sector Indices:

All singly traded option classes that have been listed on CBOE for 1 year or more, have traded 20 or fewer contracts/day during the most recent three month period and have 1000 or less customer contracts open interest will be delisted. The delisting of those classes will be accomplished by notifying each crowd/DPM that those classes can no longer be traded, and then ceasing to list new series as old series expire. Each singly traded option class will be reviewed after its first year anniversary, and every three months thereafter to determine its eligibility status. Any option class not meeting the above eligibility criteria will be delisted. If a class is delisted, barring any performance issues, the crowd/DPM that originally traded that class will be given preference in any future allocation decisions regarding that class.

B. For Multiply Listed Option Classes:

All multiply traded option classes that have been listed on CBOE for six months or more and have traded 20 or fewer contracts/day on CBOE during the most recent three month period will be delisted. The delisting of these classes will be accomplished by ceasing to trade those classes within five business days after the crowd/DPM has been notified. Each multiply listed option class will be reviewed after its six month anniversary and every three months thereafter to determine its eligibility status. Any option class not meeting the above eligibility criteria will be delisted. If a class is delisted, barring any performance issues, the crowd/DPM that originally traded that class will be given preference in any future allocation decisions regarding that class.

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C. Due Process for Delisting Solely or Multiply Traded Classes:

Each DPM and/or trading crowd that has been notified that an option class is no longer eligible for trading on the Exchange as set forth may, within two business days of being notified, submit a written request to the Allocation Committee asking that the class not be delisted. Such request must include justification for not delisting the class, a renewed commitment to market quality, a marketing plan and the signatures of the majority of members who regularly trade that class. Representatives of the DPM and/or trading crowd may be called upon to appear before the Allocation Committee to answer any questions the Committee may have. If the request of the DPM and/or trading crowd is denied by the Allocation Committee, representatives of the DPM and/or trading crowd may request the opportunity to appear before the Committee to further explain their desire not to delist the class. If the Allocation Committee ultimately determines to delist the class, the DPM and/or trading crowd may appeal the Committee's decision under Chapter XIX of the Rules.

Option Series Listing Policy

The listing procedure following Expiration will be modified to list only two near the money strikes for those classes that trade less than 50 contracts/day. Initially, this change will apply only to singly listed option classes.

Option Series Delisting Policy

For all singly listed equity option classes which trade less than 50 contracts per day during the preceding three months, any series that has no open interest in the call and the put, and is not one of the two strikes nearest the money will be delisted. In some cases this will result in a break in contiguous series (e.g. could have a 30, 35 and 50).

The Allocation Committee as well as the Office of the Chairman may make exceptions to the above policies in appropriate cases.

These changes will allow CBOE to effectively deal with the constraints that are imposed on us by the ever present burden of quote traffic. The quote capacity issue is, in part, related to the number of series listed. Listing of classes and series which do not trade in significant volume has a direct cost to the Exchange, its members and firms, and the data vendors. It is important that CBOE proactively address this issue for the benefit of investors trading our products.

Questions regarding the class delisting policy may be directed to Daniel Hustad at (312) 786-7715 and questions regarding listing and delisting option series may be directed to Patrick Fay at (312) 786-7520.