Regulatory Circular RG 98-128

DATE: November 25, 1998

TO: Members and Member Organizations

FROM: Office of the Secretary

RE: Gratuities—Rule 4.4

Each year at this time the Exchange receives inquiries regarding the permissibility of members and member organizations giving gratuities to employees of financial concerns and employees of the Exchange.

This memorandum restates the Exchange's policy on gratuities, which is reflected in Exchange Rule 4.4 ("Rule"). Rule 4.4 limits the dollar value of gratuities or compensation that may be given by members to employees of the Exchange or to employees of any other member or of any non-member broker, dealer, bank or institution, without the prior consent of the employer and of the Exchange. Gratuities are gifts of any kind, including, but not limited to, cash. Gratuities or compensation in an amount less than those specified in the Rule do not require any prior consent. In determining whether the amount is less than the specified amount, each donor must aggregate all gratuities to the same person during the calendar year.

Gratuities or Compensation to Employees of Financial Concerns. Where gratuities or compensation to an employee of a financial concern (including a member, a non-member broker, dealer, bank or institution) exceeds $100 in any given calendar year, the donor must obtain the prior consent of the recipient's employer and of the Exchange.

Gratuities or Compensation to Employees of the Exchange. Where gratuities or compensation to an employee of the Exchange exceeds $50 in any given calendar year, the donor must obtain the prior consent of the Exchange by submitting a request in writing to the Exchange's Office of the Secretary.

Requests for Exchange approval should be made on the attached form. Additional copies of the form may be obtained from the Exchange's Office of the Secretary.

Members and member organizations are reminded that they must retain records of each gratuity, regardless of amount or value, for at least three years.

Questions regarding this policy may be directed to Nancy Nielsen at (312) 786-7466.

Form to Request Prior Approval of Gratuities and Compensation
Under Exchange Rule 4.4

To: Office of the Secretary
Chicago Board Options Exchange, Inc.
LaSalle at Van Buren
Chicago, Illinois 60605

This form may be used to request prior approval of the Exchange for payments of gratuities or compensation to: (i) employees of the Exchange in an amount greater than $50 in any calendar year, or (ii) employees of financial concerns in an amount greater than $100 in any calendar year.

1. Name of Recipient_____

2. Recipient's Employer_____

3. Position of Recipient_____

4. Nature of gratuity or compensation_____

   _____

5. Dollar amount of gratuity or compensation_____

6. Total dollar amount or value of other gratuities or compensation to recipient during 1997_____

7. Reason for gratuity or compensation_____

   _____

8. Consent of Employer (for employees of financial concerns only)

   Name: (print) _____

   Signature:_____

   Date: _____

9. Person Giving the Gratuity or Compensation

   Name of Member: (Print) _____

   Signature:_____

   Date: _____

For Exchange Use Only

Consent Granted _____ By: _____ Date:_____

Denied _____ Name