

Regulatory Circular RG99-135

Date: June 4, 1999

To: Membership

From: Modified Trading System (MTS) Appointments Committee

Re: DPM Concentration Guidelines

The Modified Trading System (MTS) Appointments Committee ("Committee") has developed guidelines to assist the Committee in its review of matters that affect the level of DPM concentration on the Exchange. The Committee intends to evaluate matters related to DPM concentration by considering a number of factors, including the number of products allocated to a DPM, the contract volume in the products allocated to a DPM, and the number of DPM appointments held by a DPM.

Under the Committee's guidelines, the Committee intends to conduct a detailed review of a DPM's level of concentration if there is an event or proposal that would cause a DPM to meet any two of the following three criteria:

1. The number of classes allocated to a DPM (and any affiliated DPMs) is 25% or more of the total number of classes traded on CBOE (excluding DJX, NDX, OEX, and SPX).*
2. The volume in the classes allocated to a DPM (and any affiliated DPMs) is 25% or more of the total volume of CBOE (excluding DJX, NDX, OEX, and SPX).*
3. The number of DPM appointments held by a DPM (and any affiliated DPMs) is 25% or more of the total number of DPM appointments effective on CBOE.**

*In the case of a DPM that is affiliated with another DPM, the portion of the affiliated DPM's classes and class volume that will be attributable to the first DPM under these criteria will be the greater of (i) 20% or (ii) the percentage of commonality in ownership between the DPMs as determined by the Committee.

**In determining the number of DPM appointments held by a DPM for the purposes of these criteria, each DPM appointment held by an affiliated DPM (regardless of the level of affiliation between the first DPM and the affiliated DPM) will be counted as a full DPM appointment attributable to the first DPM.

If there is an event or proposal that would cause a DPM to meet any two of the above criteria (such as, for example, the allocation to a DPM of additional product or a proposal involving a transfer of interest in a DPM organization), the Committee will carefully evaluate the level of concentration that would result. Additionally, if the Committee determines that the event or

proposal would result in an unacceptable level of concentration, the Committee may take action authorized under the Rules to lower the resulting level of concentration or to deny the applicable proposal. The Committee also retains the discretion to review a DPM's level of concentration at any time regardless of whether the above criteria are satisfied.

Members who have questions regarding this memorandum may contact an MTS Committee member or Daniel Hustad at (312) 786-7715.