



THE OPTIONS CLEARING CORPORATION

#19450

TO: ALL CLEARING MEMBERS

**FROM: GERI LOVE – FIRST VICE PRESIDENT
OPTIONS INDUSTRY SERVICES**

DATE: JANUARY 27, 2004

SUBJECT: PRO-RATA ASSIGNMENTS FOR S&P 100 INDEX OPTIONS

The Chicago Board Options Exchange (CBOE) has requested OCC to modify the assignment method for S & P 100 index options. Currently, all S & P 100 options are assigned using the random assignment method. However, effective Monday, February 9, 2004, all exercised options on the S & P 100 will be assigned using OCC's pro-rata method. With the pro-rata method, exercises will be assigned to short positions based on the percentage of open interest in the exercised series.

For example, if 20 % of the open interest in a particular series is exercised, then each Clearing Member which carries short position in that series will be assigned on approximately 20% (rounding) of its short positions.

Pro-Rata assignments can be viewed in ENCORE on the Pro-Rata Percentage Inquiry screen and the Assignment Inquiry screen. In addition, exercises and assignments of the S&P 100 options will continue to be reported on the Index Options Delivery Advice Report.

Please refer to Information Memo #19448, dated January 26, 2004 for important information regarding a supplement to the Options Disclosure Document relating to this modification.

Although OCC will use the Pro-Rata assignment method for OEX, we understand that Clearing Members and other brokers are not required to change their established assignment allocation procedures. You should confirm this with your options designated examining authority

OCC will publish an information memo detailing the option symbols affected by this change on Friday, February 6, 2004.

ALL CLEARING MEMBERS ARE REQUESTED TO IMMEDIATELY ADVISE ALL BRANCH OFFICES AND OUT-OF-TOWN CORRESPONDENTS ON THE ABOVE.

Questions regarding this memo can be addressed to Member Services at (800) 544-6091. Within Canada call (800) 424-7320.