



Regulatory Circular RG02-98

Date: November 14, 2002

To: Members

From: Legal Division

Re: SEC Approval of Rule Filing Relating to CBOT Exercisers Approved for CBOT Membership Pursuant to Expedited Procedures

The Securities and Exchange Commission has approved CBOE rule filing number SR-CBOE-2002-41 which set forth an interpretation of Article Fifth(b) of CBOE's Certificate of Incorporation relating to the right of the 1,402 full members of the Chicago Board of Trade ("CBOT") to become members of CBOE without having to purchase a CBOE membership (known as the Exercise Right). This interpretation provides a limited exception to the requirement of the interpretation reflected in the Agreement between CBOE and CBOT dated September 1, 1992 that all CBOT exercisers must be in possession of all trading rights and privileges of a CBOT full membership.

The following summarizes the interpretation and a conforming change to CBOE Rule 3.16(b):

- Each exerciser member of CBOE on April 17, 2002 who was approved as a member of CBOT under expedited procedures, and thus does not possess the right to trade on CBOT as a full CBOT member, will be "grandfathered" and recognized as a member of CBOE in good standing.
- Any such individual who subsequently ceases to be an exerciser member of CBOE and thereafter reapplies to become an exerciser member, and any other individual who applies to become an exerciser member of CBOE after April 17, 2002, as a condition of becoming an exerciser member of CBOE, will be required to satisfy all applicable CBOT application, examination, and approval requirements necessary for the individual to be in possession of all trading rights and privileges of a CBOT full membership.
- Notwithstanding the second bullet point above, if a "grandfathered" exerciser subsequently ceases to be an exerciser member of CBOE and reapplies to CBOE to become an exerciser member of CBOE within six months of the date he or she ceased to be an exerciser member of CBOE, the individual may be reinstated as an exerciser member of CBOE without having to satisfy the requirements of CBOT necessary for the individual to be in possession of all trading rights and privileges of a CBOT full membership.

Any questions regarding this circular may be directed to Arthur Reinstein of the Legal Division at (312) 786-7570.