The ChicagoBoard Options Exchange

LaSalle at Van Buren
Chicago, Illinois 60605 312 786-5600

DATE: July 31, 1990

Regulatory Circular - RG90-41

TO: The Membership

FROM: Allocation Committee

RE: TRADING FLOOR PRODUCT LOCATION POLICY

The Allocation Committee is responsible for the location or relocation of option classes and other products on the trading floor. Given the competitive nature of market-making on the Exchange floor and the dynamic nature of trading, the Exchange has over the years taken such action as merging and relocating trading stations or individual classes to become more competitive and to accommodate necessary operational factors. The objective of the product location policy is to assure that product is allocated and located in a fashion so as to encourage the best quality markets and assuring the best utilization of the Exchange's resources.

Location of new product

When an option class or new product is to begin trading, the Committee will seek to locate it at a trading station where a demonstration of past and future commitment to quality markets has been shown. Since the timing of a decision by the Exchange to begin trading in a new option class or product relative to the initial trade date does not always allow for a solicitation for commitments for each new class or new product, the Committee will seek standing market quality commitments from each crowd and DPM. The standing market quality commitment will describe the crowd's or DPM's general pledge to market quality for any class or product that may be assigned to that crowd or DPM. Although commitments may be updated at any time, the Allocation Committee will contact each crowd or DPM on a quarterly basis to reconfirm each commitment.

The Committee will consider all available information to determine the location of the new listings including, but not limited, to the following: the standing market quality commitment, market performance review data, market quality analysis, member firm input, regulatory reviews, trading floor personnel support and the location and use of technological enhancements designed to advance the Exchange's competitive position.

Relocation of existing products

Where it has been determined that existing products be relocated due to a failure to achieve market performance standards, or where operational or competitive factors dictate that a product or products be relocated, the Committee will relocate such product to where it believes the highest quality markets will be achieved. The Committee will consider both the past performance and standing commitments to maintain quality markets in all classes located at the station when deciding where to relocate existing option classes. Where past and future commitments to market quality are competitive and operational considerations are satisfied, trading crowds will be given priority over DPMs with respect to the relocation of any option class traded on CBOE prior to May, 1987 or replacements thereof.

Each trading crowd and DPM is requested to complete the "Standing Commitment to Market Quality" form on the reverse side of this memorandum and return it to the Trading Procedures Office on the 4th floor no later than 3:30 p.m. on Friday, August 3, 1990.

Questions concerning this memorandum may be directed to Daniel Hustad at 786-7715.

STANDING COMMITMENT TO MARKET QUALITY

I. Trading Crowd or DPM: _____

II. Commitment to Market Quality and Service - The applicant trading crowd or DPM commits to the following level of market quality and service:

Bid-Ask Spreads

Premium Level	Max Spread (circle one for each premium level)							Minimum Size (Verbal Markets)
1/16 - 1	1/16	1/8	3/16	1/4	-	-	-	_____
1 1/16 - 1 15/16	1/16	1/8	3/16	1/4			-	_____
2 - 3	1/16	1/8	3/16	1/4	5/16	3/8	-	_____
3 1/8 - 5	-	1/8	-	1/4		3/8	-	_____
5 1/8 - 10	-	1/8	-	1/4	-	3/8	1/2	_____

Firm Quotes - The applicant trading crowd or DPM commits to assuring that the displayed market quote is firm for the following size (circle one):

10 15 20 25 other_____

III. This application represents our standing commitment to market quality and service for:

[ ] New Products [ ] Options on over-the-counter stocks [ ] Multiply listed options
[ ] Options on listed securities [ ] Other securities

Comments:

IV. Competitively Listed Option Classes - If an allocated option class is multiply listed, the applicant trading crowd or DPM commits to meet or exceed the level of market quality and service displayed at other Exchanges. Yes_____ No_____

V. The undersigned members agree that if option class(es) are assigned to their station, they will assure continuous support for the class(es) and will conduct their business in a way that promotes public confidence in the Exchange. Furthermore, the undersigned members are aware that failure to support an allocated option class as represented in this application, may result in the option class being reassigned. Yes_____ No_____

VI. If the application is submitted by a trading crowd, it must be signed by all regular members of the crowd. If the application is submitted by a DPM, it must be signed by a principal of the firm or the primary market-maker of the unit.

_____ _____ _____

_____ _____ _____