

DATE: November 7, 1991

Regulatory Circular RG91-62

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 standing commitments may be updated at any time, the Allocation Committee will contact each crowd or DPM on a quarterly basis to ascertain each crowd's 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 Monday, November 11, 1991.

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

(RG90-40 Revised, Date only)