

REGULATORY CIRCULAR
RG 99-133

DATE: June 11, 1999

TO: Members and Member Firms

FROM: Department of Market Regulation

RE: Exercises on the Day Prior to Expiration for Position
Limit Purposes

While the Options Clearing Corp. (OCC) does not accept exercise instructions for expiring option contracts on the final day of trading prior to expiration, the Exchange has determined that a member or customer may irrevocably exercise near-term, in-the-money option positions on this day to eliminate such positions from their account for position limit purposes. A position is considered irrevocably exercised at the time an irrevocable exercise instruction memorandum (memorandum) is prepared and time stamped. Therefore, any member or customer with an overall position near the applicable limit the day prior to expiration may prepare and time stamp an irrevocable memorandum for their near-term, in-the-money options to enable an increase in their overall position. Irrevocable memoranda must be completed prior to establishing additional positions that would otherwise put the account over the position limit. It is important to note that such irrevocable memoranda must be completed, even though a position may be subject to the OCC's exercise by exception process. Only those near-term contracts indicated on irrevocable memoranda which are actually exercised will be eliminated from the account for position limit purposes.

To be applied against a position for position limit purposes, a copy of all irrevocable memoranda prepared on the day prior to expiration must be submitted to the Department of Market Regulation no later than the Monday following expiration. A copy must also be maintained by both entering and clearing members for the appropriate amount of time in accordance with SEC rules.

Any questions pertaining to this matter should be directed to Pat Cerny at (312) 786-7722 or Karen Charleston at (312) 786-7724.

(Regulatory Circular RG 98-22 Reissued)