

September 7, 1982

TO: Board of Directors
FROM: Business Conduct Committee
SUBJECT: Competing Market Maker System

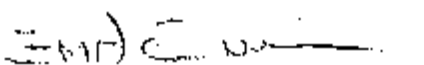
As you are aware, it is the responsibility of the Business Conduct Committee to conduct investigations when potential rule violations have occurred. This places the members of this Committee in a rather unique position. It is because of the cases we review, and the individual observations of the Committee members that we write this memorandum.


The Business Conduct Committee is concerned about the deterioration of the "competing market maker system" at the CBOE.


The outward manifestations of the problem are becoming increasingly numerous. To name just a few, we see situations involving failures of market makers to make and maintain fair and orderly markets; trading by market makers from off the Exchange floor on an exempt credit basis; trading by members on the basis of inside market information (front running); trading decisions being made by clerks of market makers; and we are all aware of the Exchange's continuing problem of obtaining markets in newly-listed and lightly-traded issues.

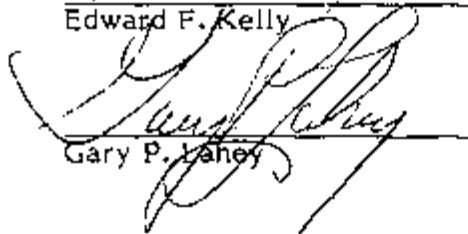
We believe that it is of the utmost importance that the Board of Directors take appropriate steps to reverse what is a worsening situation.

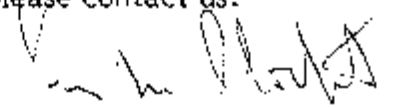
If you believe this Committee, or its individual members, can be of assistance, or if you wish further explanation, please contact us.

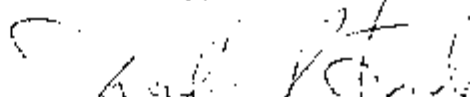

Fred P. Quinn - Chairman

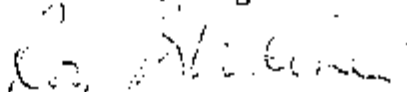

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