



Regulatory Circular No. RG-01-86

Date: June 20, 2001

To: CBOE Members and Member Firms

From: Office of the Chairman

RE: PAR Cancellation Fee

The concept of a cancel fee was initiated as a way to deal with operational problems and costs resulting from the practice of some customers immediately following order entry with a cancel request. Most often the orders subject to immediate cancellation are those that are routed to PAR. Since these orders frequently come in bunches, the DPM broker using the PAR workstation can quickly become inundated, impacting firms, customers and DPMs. The Equity Floor Procedure Committee (EFPC) and the Financial Planning Committee developed a PAR Cancellation Fee that addresses this practice. The Floor Directors endorsed their plan and on June 7th the Board approved it. The fee will go into effect on July 1, 2001, and is described below.

PAR Cancellation Fee – CBOE will charge 30¢ per contract for every PAR contract routed from a firm in a month, if in that month the total number of contracts canceled on PAR exceeds 40% of the total contracts routed to PAR. ($30¢ \times \text{Total PAR contracts, if } (\# \text{ of PAR canceled contracts}) / (\# \text{ of Total PAR contracts routed}) > 40\%$). Firms that send fewer than 4,000 contracts to PAR per month will not be subject to this fee. For May, the 40% trigger level is 2 ½ times the floorwide average. As a result, most firms are not subject to the fee.

Additionally, on May 3 the EFPC approved a routing enhancement that allows a firm to choose to route its NBBO rejects, which some customers follow with an immediate cancel request, to its booth. Previously NBBO rejects and their cancels were required to route to crowd PARs. Firms choosing to handle NBBO rejects in their booth should contact the Help Desk at (312) 786-7100. Our analysis indicates that firms most likely will avoid the PAR Cancellation Fee if they choose this new routing destination.