



Date: November 22, 2002
To: Members and Member Organizations
From: Trading Operations
Re: RAES for BD Orders in Equity Classes

Regulatory Circular RG02-103

On September 18, 2002, the Board of Directors approved automatic execution of certain types of BD orders (i.e., orders designated by origin codes "BD" and "F") via RAES. On October 28, eligible BD orders were given access to RAES in the 25 most active CBOE issues and, on November 18, access was extended to the 50 most active issues. Effective November 25, eligible BDs will have RAES access in the 100 most active classes (listed below), subject to the following requirements:

- 1) Orders for the accounts of CBOE market makers (origin code "M"), market makers on any exchange other than the CBOE (origin code "N"), and underlying stock specialists (origin code "Y") will NOT be eligible for automatic execution.
- 2) The RAES eligible order size for eligible BD orders shall be 20 contracts. When the disseminated autoquote size is less than 20 contracts, RAES-eligible BD orders may automatically execute up to the lesser of the order size (which may not exceed 20 contracts) or the disseminated autoquote size.
- 3) BD orders will not automatically execute when a manually-entered quote exists (same as for customer orders).
- 4) BD orders will not automatically execute against resting book orders (no ABP) and instead will route to BART.
- 5) BD orders will not automatically execute when CBOE is not the NBBO (no automatic step-up). NBBO rejects will route to PAR.
- 6) BD orders will not automatically execute when the CBOE quote is inverted with another exchange's quote (same as for customer orders).
- 7) BD orders will not be eligible for automatic execution in LEAPS.
- 8) BD orders, other than NBBO rejects, will not route to PAR and will instead route to BART if not automatically executed.

Top 100 (effective Nov 25, 2002): Includes Top 50 plus: CPN, S, MWD, PG, HSY, FLEX, NVLS, HRC, ADRX, MCD, GLW, EDS, BBY, FNM, CMCSK, NEM, HI, AMZN, HAL, DAL, NOC, CCU, JDSU, SBUX, XLNX, GPS, LOW, WFC, AMD, BA, BGEN, EK, VIA-B, MOT, LLY, ACF, PSFT, COF, AAPL, QLGC, PHA, CD, AZN, UTX, AXP, HRB, ONE, LEH, XRX, DUK.

Top 50 (effective Nov 18): Includes Top 25 plus: AMGN; F; MO; EP; MRK; MMM; YHOO; BMY; GS; EMC; UAL; T; KLAC; AIG; UPS; EBAY; NOK; SUNW; MER; NXTL; KO; HPQ; COX; PEP; BRCM.

Top 25 CBOE (effective Oct 28): GE; MSFT; C; TYC; AOL; CSCO; IBM; INTC; DELL; ORCL; JPM; WMT; QCOM; JNJ; GM; BAC; XOM; PFE; TXN; HD; AMAT; SEBL; MU; VZ; SMH.

After an evaluation period, BD access may be extended to additional issues. If you have questions regarding this matter, please contact Anthony Montesano at x7365 or the CBOE Help Desk at x7100 .