



Regulatory Circular RG03-43

Date: June 25, 2003

To: Members and Member Organizations

From: Regulatory Services Division
Legal Division

RE: Failure to Address Orders and Honor Firm Quote

This Circular is to remind members of certain firm quote obligations.

Floor Brokers

Exchange Rules 6.73 and 8.51 require that floor brokers are obligated to immediately represent orders that are marketable upon receipt and are obligated to obtain an execution in accordance with the firm quote rule which, generally speaking, means at the price and up to the size of the of displayed quote at the time an order is presented. **It is a violation of Exchange rules for any agent to fail to represent orders in its possession with the expectation that those orders will eventually be cancelled. Agents who establish a pattern or practice of failing to represent orders in a timely manner or who fail to obtain an execution consistent with the firm quote rule may be subject to summary fines under Exchange Rule 17.50 or to discipline by the Business Conduct Committee.**

Market Makers

Exchange Rule 8.51 requires market makers to honor their quotes at the price and up to the displayed size available at the time an order is presented. As discussed further in Regulatory Circular RG02-21, in non-hybrid classes in a DPM trading crowd, the trading crowd has a collective obligation to firm quote. The trading crowd is deemed to have received an order, and an order is deemed to be presented to the crowd, at the time the order is received on the DPM's PAR workstation. For orders represented by non-DPM floor brokers, the order is deemed to be presented, and firm quote responsibility attaches, at the time the floor broker represents the order to the crowd. A circular will be issued in the near future that will address market maker obligations to firm quote in hybrid classes. **Market makers who fail to honor firm quote may also be subject to summary fine under Exchange Rule 17.50 or to discipline by the Business Conduct Committee.**

For further discussion of the Firm Quote rule, please refer to Exchange Regulatory Circulars:

- RG02-21, How Firm Quote Rule Applies to Orders Received on PAR Terminals in DPM Crowds
- RG02-27, How Firm Quote Rule Applies to Orders Received on DPM PAR Terminals
- RG02-37, Ability to Refresh Quote when DPM is "In the Process of Effecting a Transaction"

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