



Regulatory Circular RG03-119

Date: December 30, 2003

To: Members and Member Organizations

From: Equity Floor Procedure Committee

Re: SEC Approval of Complex Ratio Orders

The SEC recently approved a proposed rule change by CBOE that amends CBOE Rule 6.53 to include within the types of orders allowed on the Exchange, "Ratio Orders." Ratio Orders are spreads, straddles, and combinations ("complex orders") in which the stated number of option contracts to buy (sell) is not equal to the stated number of options contracts to sell (buy), provided that the number of contracts differs by a permissible ratio that is equal to or greater than one-to-three (.333) or less than or equal to three-to-one (3.0). To illustrate, a one-to-two (.5) ratio, a two-to-three (.667) ratio, or a two-to-one (2.0) ratio would be permissible, whereas a one-to-four (.250) ratio or a four-to-one (4.0) ratio would not.

The approved rule change also includes Ratio Orders within the Rule 6.45(e) exception to the priority rules for bids and offers under Rule 6.45(a) and (b). As such, a member holding a Ratio Order and bidding (offering) on a net debit or credit basis (in a multiple of the minimum increment) may execute the order with another member without giving priority to equivalent bids (offers) in the trading crowd or in the book provided at least one leg of the order betters the corresponding bid (offer) in the book.

Any questions regarding this circular may be directed to Craig Johnson at (312) 786-7939 or Jim Flynn at (312) 786-7070.