

Regulatory Circular RG04-56

Date: April 30, 2004

To: Members and Member Organizations

From: Regulatory Services Division and
Legal Division

Re: How Firm Quote Applies to Marketable Orders Entered At or Near the Close

The SEC has informed the CBOE that a market order or marketable limit order, entered at or near the close, is entitled to the same firm quote obligations as an order entered during the day. CBOE is thus reminding its members that firm quote includes providing a market order or marketable limit order the quote and size disseminated at time of entitlement. In other words, each quote must be honored up to the disseminated price and size through the close of trading for market or marketable limit orders received prior to the close. In some instances, this may require that orders received prior to the close be executed after the conclusion of the trading session consistent with the Exchange's policy for handling lost or misplaced market orders as described in Exchange Regulatory Circular **RG 95-49 – Floor Brokerage Practices**.

Time of entitlement

The firm quote rule provides that, in non-hybrid classes, a 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. In hybrid trading classes, a DPM is deemed to have received an order when the order is received on the DPM's PAR workstation. In those same classes the non-DPM members of the trading crowd are deemed to have received the order at the time the order is represented in open outcry (i.e., announced to the trading crowd) by the DPM broker. For orders represented by non-DPM floor brokers in both hybrid and non-hybrid classes, the order is deemed to be presented, and firm quote responsibility attaches, at the time the floor broker represents the order to the crowd.

For further discussion of the Firm Quote obligations under Exchange Rule 8.51, 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 DMP PAR Terminals**
- **RG02-37 - Ability to Refresh Quotes when DPM is "In the Process of Effecting a Transaction"**
- **RG03-43 - Failure to Address Orders and Honor Firm Quote**

Questions regarding this circular may be addressed to Steve Youhn at 786-7416, or Margaret Williams at 786-7834 or Trading Floor Liaison at 786-4068.