



Regulatory Circular RG00-58

Date: April 11, 2000
To: Members and Member Organizations
From: Legal Division
Re: Changes to Firm Quote Rule

The Securities and Exchange Commission recently approved CBOE rule filing SR-CBOE-99-21. This filing proposed changes to Exchange Rule 8.51, *Trading Crowd Firm Disseminated Market Quotes*.

Orders for the Same Beneficial Owner

The primary approved change to Rule 8.51 specifies the degree to which orders for the same beneficial owner in the same class of options are entitled to firm quote treatment. The rule as approved states:

When orders for the same options class (whether for the same series or different series) from the same beneficial owner are represented at the trading station at approximately the same time, then only the first of such orders that cumulatively equal or add up to less than the firm quote requirement shall be entitled to an execution pursuant to the firm quote rule.

Application to Spread Orders

The approved rule change also clarifies that that Interpretation of the firm quote rule which states that two-part spread or straddle orders (which are in a one-to-one ratio and where the two sides are on opposite sides of the market) are entitled to firm quote treatment is (1) applicable to equity options only and (2) applies to orders of the amount of the firm quote requirement for that class or less. The rule previously stated that the trading crowd had to be firm for spread orders for ten contracts or less.

Questions regarding this circular maybe directed to Timothy Thompson, Legal Division (312) 786-7070.