

Regulatory Circular RG 00-74

Date: April 25, 2000

To: Members and Member Organizations

From: Regulatory Services Division
Legal Division

Re: Floor Official Authority to Reroute Orders from PAR terminals

This circular addresses the authority of Floor Officials when a disruptive quantity of orders is being routed to the Public Automated Routing System ("PAR") terminal for manual representation by the DPM or crowd floor broker.

Under Rule 6.6(a), Floor Officials may declare a fast market if they determine that such a situation impairs the operation of a fair and orderly market. For instance, Floor Officials are authorized to declare a fast market if they determine that the number of orders being routed to the crowd's PAR terminal is so large that the DPM or crowd floor broker cannot represent those orders in a timely fashion.

If a fast market is declared in such a situation, floor officials are authorized under Rule 6.6(b)(vi) to take any action they deem necessary to maintain a fair and orderly market. This authority includes the power to require all orders (or the orders of those member firms that are responsible for the disruptive quantity of orders) to be rerouted to each member firm's booth for manual handling by that firm.

If floor officials take such action, it is the responsibility of the member firm to provide for the manual representation of these orders. To comply with this requirement, after the Exchange has rerouted orders to the member firm's floor booth, the firm then may reroute the orders to one of its mobile PAR terminals or to another broker for handling. Because a member firm is the customer's agent with respect to such orders, the member firm therefore owes a duty of due care and diligence concerning those orders. Accordingly, it is a violation of just and equitable principles of trade under Rule 4.1 for the member firm not to make appropriate arrangements for the manual representation of orders that may be rerouted by Floor Officials. Failure to make such arrangements could result in the issuance of formal disciplinary action by the Exchange's Business Conduct Committee.

Questions concerning this circular should be directed to Greg Rich at 786-7847 or Craig Johnson at 786-7939 in the Department of Market Monitoring and the Office of the Trading Floor Liaison, or to Andrew Spiwak at 312-786-7483 in the Legal Division.

