Regulatory Circular RG00 –139

September 15, 2000

To: Members and Member Firms

From: Equity Floor Procedure Committee

Re: SEC Approval of Prohibition Against Electronically Generated Orders

The Securities and Exchange Commission recently approved a CBOE rule filing (SR-CBOE-00-01) that adopts a new Rule 6.8A. Rule 6.8A provides that members may not enter nor permit the entry of orders into the Exchange Order Routing System ("ORS") if those orders are (1) created and communicated electronically without manual input and (2) eligible for execution on RAES at the time they are sent. An order is eligible for RAES if: (1) its size is equal to or less than the maximum RAES order size for the particular option series; (2) the order is marketable[1] or is tradable pursuant to the auto step-up feature[2] at the time it is sent; and (3) the order has either no contingency or has a contingency that is accepted for execution by RAES. Electronically generated and communicated orders that are eligible for execution on RAES at the time they are sent may be sent to the trading floor for execution by means other than through ORS, *e.g.*, by telephone or through a member firm's proprietary routing system.

Questions concerning this circular may be directed to Timothy Thompson, Legal Department at (312) 786-7070.

[1] As defined in Rule 6.8, a marketable order is a market order or a limit order in which the specified price to sell is below or at the current bid, or the specified price to buy is above or at the current offer.

[2] An order is tradable pursuant to the RAES auto step-up feature if the appropriate CBOE Floor Procedure Committee ("FPC") has designated the class as an auto step-up class and if the National Best Bid or Offer ("NBBO") for the particular series is reflected by the current best bid or offer in another market by no more than the step-up amount as defined in Interpretation .02 of CBOE Rule 6.8.