



Regulatory Circular RG 02--21

Date: April 12, 2002

To: Members and Member Organizations

From: Legal Division

Re: How Firm Quote Rule Applies to Orders Received on PAR Terminals in DPM Crowds

This Circular reflects a revised interpretation with respect to when firm quote obligations arise under Rule 8.51 in the case of orders received at a PAR workstation in a DPM trading crowd, and how the exemptions from those obligations under paragraph (e) of Rule 8.51 apply in the case of such orders. This revised interpretation is being filed after the close of business today as a rule change with the Securities and Exchange Commission ("SEC") for immediate effectiveness and reflects policy views communicated by the SEC's staff.

Under firm quote rule 8.51, the responsible broker or dealer, i.e., the trading crowd, is obligated to sell(buy) at least the established number of contracts ("the firm quote requirement") at the offer (bid) which is displayed when the responsible broker or dealer receives a buy(sell) order at the trading station where the reported security is located for trading. Paragraph (e) of the firm quote rule 8.51 provides exemptions from this obligation if prior to the presentation of an order a responsible broker or dealer has communicated a revised bid or offer to the Exchange, or if at the time an order is presented, a responsible broker or dealer is in the process of effecting a trade. Under the revised interpretation, in the case of an order received at a PAR workstation in a DPM trading crowd, the responsible broker or dealer is deemed to receive an order, and an order is deemed to be presented to the responsible broker or dealer, at the time the order is received on the DPM's PAR workstation.

If you have questions, you may call Steve Youhn at ext. 7416 or Margaret Williams at ext. 7834.