

Regulatory Circular RG02-49

Date: July 3, 2002

To: All Designated Primary Market Makers

From: Division of Regulatory Services
Legal Division

Re: Limit Order Handling

Contacts: Karen Charleston, Department of Market Monitoring, at 312-786-7724
Stephen Youhn, Legal Division, at 312-786-7416

*******IMPORTANT REMINDER*******

Effective July 22, 2002, each Designated Primary Market Maker (“DPM”) is expected to execute or book, with certain exceptions, 95% of customer limit orders within 60 seconds or less.

RELATED KEY ISSUES OF NOTE

DPMs not meeting this standard will be subject to appropriate regulatory or disciplinary action as determined by the Business Conduct Committee (“BCC”).

The Securities and Exchange Commission (“SEC”) has directed all floor-based options exchanges to impose this same limit order handling standard.

The SEC has further directed that the standard be progressively improved to require that 95% of such orders must be appropriately handled immediately but in a time frame not to exceed 30 seconds beginning January 20, 2003.

Please refer to Regulatory Circular RG02-03, issued on January 15, 2002 for a further discussion on this matter. If you wish to obtain further information relative to limit order display or your DPM’s performance in this regard, please feel free to contact Karen Charleston at the number listed above.