CBOE
CHICAGO BOARD OPTIONS EXCHANGE

Date: October 24, 2002   Regulatory Circular RG02-89
To: Members and Member Organizations
From: Trading Operations
Re: RAES for BD Orders in Equity Classes

At its meeting on September 18, 2002, the Board of Directors approved automatic execution of certain types of BD orders (i.e., orders designated by origin codes "BD" and "F") via RAES. Effective October 28, 2002, RAES will be available for eligible BD orders in the 25 most active CBOE issues (listed below), subject to the following requirements:

1) Orders for the accounts of CBOE market makers (origin code "M"), market makers on any exchange other than the CBOE (origin code "N"), and underlying stock specialists (origin code "Y") will NOT be eligible for automatic execution.
2) The RAES eligible order size for eligible BD orders shall be 20 contracts. When the disseminated autoquote size is less than 20 contracts, RAES-eligible BD orders may automatically execute up to the lesser of the order size (which may not exceed 20 contracts) or the disseminated autoquote size.
3) BD orders will not automatically execute when a manually-entered quote exists (same as for customer orders).
4) BD orders will not automatically execute against resting book orders (no ABP) and instead will route to BART.
5) BD orders will not automatically execute when CBOE is not the NBBO (no automatic step-up). NBBO rejects will route to PAR.
6) BD orders will not automatically execute when the CBOE quote is inverted with another exchange's quote (same as for customer orders).
7) BD orders will not be eligible for automatic execution in LEAPS.
8) BD orders, other than NBBO rejects, will not route to PAR and will instead route to BART if not automatically executed.

25 Most Active CBOE Issues: GE; MSFT; C; TYC; AOL; CSCO; IBM; INTC; DELL; ORCL; JPM; WMT; QCOM; JNJ; GM; BAC; XOM; PFE; TXN; HD; AMAT; SEBL; MU; VZ; SMH.

After an evaluation period, BD access may be extended to additional issues. Also, we are anticipating that CBOE's Board of Directors will approve a recommendation to impose a 30-cent fee per contract for BD orders executed through RAES in all equity products. If approved, the fee will become effective November 1.   If you have questions regarding this matter, please contact Anthony Montesano at x7365 or the CBOE Help Desk at x7100 .