CBOE
CHICAGO BOARD OPTIONS EXCHANGE

Date: December 23, 2002   Regulatory Circular RG02-120
To: **Members and Member Organizations**
From: **Trading Operations**
Re: **RAES for BD Orders in Top 250 Equity Classes**

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.[1] Effective December 23, eligible BDs will have RAES access in the 250 most active classes (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") are NOT eligible for automatic execution.
2) The RAES eligible order size for eligible BD orders is 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. NOTE: The EFPC has authorized DPMs/crowds to set the RAES size for BDs equal to the RAES size for customers as long as no crowd member objects. DPMs/crowds desiring to make this change must contact the Help Desk at x7100.
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.

Top 250 (effective Dec 23, 2002): Includes top 100 plus: TRW, KSS, SGP, ERTS, TXU, AEP, LU, AWE, CA, AA, VRTS, FRX, TGT, IP, USB, BSX, SLB, MEDI, ABT, INTU, MERQ, FLEX, MCHP, PPD, PRU, BAX, DNA, INVN, GDT, ELX, BEAS, CAH, BRCD, HCA, WYE, UNH, ISIL, CHKP, ROOM, OMC, KRB, DIS, THC, APOL, WB, CB, TTWO, DOW, CEPH, HDI, MDT, BK, JBL, MRVL, LLL, GD, FDC, BBH, NVDA, HON, NLS, PDG, WLP, GNSS, AEM, ABX, SNPS, CI, DOX, USAI, SWY, GG, IDPH, LUV, BSC, VLO, TEVA, RTN, ADI, THQI, D, SBC, EXTR, MXIM, FDX, RD, SO, CCMP, CCK, BP, CVC, GENZ, ANF, CL, G, ADP, DD, HGSI, IPG, LXK, CTXS, CCR, ATVI, LEN, FLM, TE, APC, TOY, SPOT, ALD, BLS, SURE, GUC, SGR, CDWC, JDAS, EOP, SWKS, COST, KKD, MIR, L, CVTX, ATML, WM, AYE, MAR, AZO, UHS, PETM, XMSR, FRE, NOR, HIG, SLM, PHG, ELN, KG, SNDK, IRF, LLTC, DVN, PBR, CREE, GILD, BVF, AHC, ISSX, LSI, VOD.

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[1] On October 28, eligible BD orders were given access to RAES in the 25 most active CBOE issues. On November 18, access was extended to the 50 most active issues, and on November 25, access was further extended to the 100 most active classes.

Top 100 (effective Nov 25, 2002): Includes Top 50 plus: CPN, S, MWD, PG, HSY, FLEX, NVLS, HRC, ADRX, MCD, GLW, EDS, BBY, FNM, CMCSK, NEM, HI, AMZN, HAL, DAL, NOC, CCU, JDSU, SBUX, XLNX, GPS, LOW, WFC, AMD, BA, BGEN, EK, VIA-B, MOT, LLY, ACF, PSFT, COF, AAPL, QLGC, PHA, CD, AZN, UTX, AXP, HRB, ONE, LEH, XRX, DUK.

Top 50 (effective Nov 18): Includes Top 25 plus: AMGN; F; MO; EP; MRK; MMM; YHOO; BMY; GS; EMC; UAL; T; KLAC; AIG; UPS; EBAY; NOK; SUNW; MER; NXTL; KO; HPQ; COX; PEP; BRCM.

Top 25 CBOE (effective Oct 28): 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.

If you have questions regarding this matter, please contact Anthony Montesano at x7365 or the CBOE Help Desk at x7100 .