



Regulatory Circular No. RG03-01

Date: January 2, 2003

To: CBOE Members and Member Firms

From: Financial Planning Committee

RE: ORS Cancellation Fee

Regulatory Circular RG01-110 described an ORS Cancellation Fee that took effect August 1, 2001. This Circular addresses Exchange policy on two matters relating to the Fee.

Firms with Multiple ORS Firms and Numbers

Under the Cancellation Fee, CBOE charges \$1.00 for every order that an executing Clearing Member cancels through the Order Routing System ("ORS") in a month, if in that same month the total number of orders the executing Clearing Member cancelled through ORS (includes cancels sent to PAR, E-Book, RAES, and BART) exceeds the total number of orders executed through ORS. ($\$1.00 \times \text{Total ORS orders cancelled, if } (\# \text{ of ORS canceled orders}) / (\# \text{ of ORS executed orders}) > 1$).

In determining this Ratio of cancelled to executed orders ("the Ratio"), the term "executing Clearing Member" refers to a single ORS Firm and its corresponding ORS number. Therefore, **Clearing Members who submit orders to the ORS through more than one ORS Firm and number need to be aware that the Ratio is calculated separately, and any resulting Cancellation Fees are imposed separately, for each of their specific ORS Firms.**

Partial Fills and Cancellations

Orders that are cancelled after having been partially filled count as both an execution and a cancellation for purposes of calculating the Ratio for each executing Clearing Member. On December 16, 2002, the Financial Planning Committee approved refunds of any Cancellation Fee amounts resulting from partially filled orders that were not counted as both executions and cancellations. Clearing Members who are entitled to a refund will be notified in January 2003.

If you have any questions, please contact Tom Knorring at (312) 786-7363 or Don Patton at 786-7026.