



Regulatory Circular RG04-46

To: Membership

From: Legal Division

Date: April 13, 2004

Re: Adjustment and Nullification of Open Outcry Transactions

The SEC approved an amendment to CBOE's obvious error rule. Effective immediately, trades executed in open outcry that result from one of the three following occurrences may be adjusted or nullified as appropriate.

(3) Verifiable Disruptions or Malfunctions of Exchange Systems: Trades arising out of a "verifiable disruption or malfunction" in the use or operation of any Exchange automated quotation, dissemination, execution, or communication system may either be nullified or adjusted by Trading Officials.

(4) Erroneous Print in Underlying: A trade resulting from an erroneous print disseminated by the underlying market which is later cancelled or corrected by that underlying market may be adjusted or nullified. In order to be adjusted or nullified, however, the trade must be the result of an erroneous print that is higher or lower than the average trade in the underlying security during a two-minute period before and after the erroneous print by an amount at least five times greater than the average quote width for such underlying security during the same period.

(5) Erroneous Quote in Underlying: A trade resulting from an erroneous quote in the underlying security may be adjusted or nullified. An erroneous quote occurs when the underlying security has a width of at least \$1.00 and has a width at least five times greater than the average quote width for such underlying security on the primary market during the time period encompassing two minutes before and after the dissemination of such quote.

Trades executed electronically are not affected by this change and may continue to be adjusted or nullified in accordance with Rule 6.25. The procedures for requesting an adjustment or nullification of an open outcry trade are the same as those for electronic trades and are also contained in Rule 6.25.

Please address any questions regarding this Regulatory Circular to any Trading Floor Liaison or Steve Youhn, Legal Division, (312) 786-7416.