



Regulatory Circular RG 04- 68

Date: June 4, 2004

To: Members and Member Firms

From: Regulatory Services Division

Re: Routing of Discretionary Orders to DPM PAR Workstations

While the Exchange's Order Routing System ("ORS") allows for the routing of discretionary (WITH \$.xx DISCRETION; NOT HELD; etc.) orders to Floor Broker PAR Workstations, note that discretionary orders are **not** eligible for PAR routing to DPM brokers.

Staff has recently identified some instances where "not held" discretionary orders received on BART or entered via BERS may be inappropriately re-routed to DPM PAR Workstations. The following two scenarios have been identified:

- 1) Currently, crowd routing is turned off for "not held" orders at DPM locations. However, selection of the <CROWD> function key on BART will override this block and inappropriately send the re-routed order to a DPM's PAR Workstation.
- 2) As BERS ".CRD" (crowd requested routing) functionality currently does not read Exchange routing tables for contingency orders, use of the crowd routing function (<.CRD DEST>) on BERS to route orders to a DPM trading crowd will inappropriately send the order to a DPM's PAR Workstation.

Since discretionary orders may route to non-DPM PARs, CBOE systems do not restrict the above scenarios. However, member firms are reminded not to re-route discretionary orders to DPM PAR Workstations as CBOE Rule 8.85(b)(vi) prohibits DPMs from representing discretionary orders as a floor broker or otherwise. Thus, it is important for member firm BART and BERS operators to pay extra attention to discretionary orders received via BART or entered via BERS before re-routing orders to the crowd. For any discretionary order that is inappropriately routed to a DPM PAR Workstation, the DPM should immediately print the order and contact the member firm through which the order was routed to send a representative to the crowd to pick up the order ticket. In the event that the DPM makes such a call and the member firm does not immediately respond, the DPM should also immediately contact Floor Officials.

Any questions concerning this circular may be directed to the Help Desk at 786-7100 or Karen Calvin in the Regulatory Services Division at 786-7759.