

Regulatory Circular RG05-04

To: Members and Member Organizations

From: Legal Division

Date: January 5, 2005

Re: Amendment to CBOE Rule 6.8(d)(v) – RAES Trigger Functionality

On December 23, 2004, the Securities and Exchange Commission (“SEC”) approved amendments to Exchange Rule 6.8(d)(v), which relates to the "Trigger" functionality on RAES. Under the approved rule change, incoming RAES orders submitted during the Trigger process would be eligible to execute against those book orders that are crossed or locked by Autoquote. Specifically, if a balance remains on the book after the Trigger volume is removed from the book, incoming RAES orders would remain eligible for execution against the book order instead of routing to the PAR terminal for manual representation. The proposed rule change does not change the existing process for incoming RAES orders that are submitted prior to a locked or crossed market; these orders would continue to be executed in accordance with the RAES procedures set forth in CBOE Rule 6.8 (*i.e.*, if an order in the Exchange's book constitutes the best bid or offer on the Exchange, the incoming RAES order will generally execute against the order in the book). The appropriate Floor Procedure Committee would implement this Trigger enhancement on a class-by-class basis.

Questions regarding this Regulatory Circular may be directed to Anthony Montesano at (312) 786-7365 or David Doherty at (312) 786-7466.