



**To: Membership**

**Regulatory Circular RG05-122**

**From: Trading Operations**

**Date: December 6, 2005**

**Re: Preferred Market-Maker Program**

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The CBOE is pleased to announce an enhancement to its Preferred Market-Maker Program. All that is needed to participate in the Program is an email from the order flow provider to: [Helpdesk@CBOE.com](mailto:Helpdesk@CBOE.com), stating the order flow provider's name, and a list that identifies its Preferred Market-Maker in each class. To further simplify the process, the email may indicate one Preferred Market-Maker for all classes at a given post/station, or for all classes, etc. For those order flow providers that service multiple correspondents, flexibility is also available to allow a different Preferred Market-Maker for each correspondent/mnemonic firm acronym. The email may contain this information in any format that is most convenient for the submitting order flow provider. Shortly after receipt of the email, a response will be returned from the CBOE Help desk confirming that the request has been processed.

If the Preferred Market-Maker is quoting at the NBBO at the time the order is received, and if the order is executed electronically by the Hybrid System, the Preferred Market-Maker will receive a minimum 40% participation entitlement.<sup>1</sup> If the Preferred Market-Maker is not quoting at the NBBO, then the order shall be handled/executed in accordance with existing processes, which may include use of the standard DPM Complex participation entitlement provided in Rule 8.87.

Be advised that Exchange Rule 4.18's prohibition of the misuse of material non-public information also applies to the Preferred Market-Maker Program.

Questions regarding this circular should be addressed to Anthony Montesano, Trading Operations, at (312) 786-7365 or Michael Trees, Trading Operations, at (312) 786-8408.

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<sup>1</sup> The Preferred participation entitlement rate is 50% when there is only one other market maker also quoting at the best price.