

Regulatory Circular RG 93-31

DATE: May 7, 1993

TO: Designated Primary Market-Makers (DPMs)
Floor Officials Committee

FROM: Modified Trading System (MTS) Appointment Committee

RE: DPM Firm Quote Obligations

The Modified Trading System (MTS) Appointment Committee, at their meeting on April 14, 1993 discussed the firm quote obligations of DPMs and the applicability of Exchange Rule 8.51-Trading Crowd Firm Disseminated Market Quotes and the DPM firm quote provision of Rule 8.80-Modified Trading Systems.

Rule 8.80(c)(2) states that a DPM shall "assure that each disseminated market quotation in appointed option classes shall be honored up to five contracts, or such other minimum number as set from time to time by the MTS Committee". Rule 8.80 was enacted in September, 1987, prior to the implementation of any floor-wide firm quote policy or rule. When the floor-wide firm quote rule was adopted in July, 1989, DPMs as well as trading crowds were obligated to honor disseminated markets for up to ten contracts in the two near-term expiration months for public customer orders only. DPMs, however, continued to be held to the higher obligation of providing firm quotes for up to five contracts in all expiration months for broker/dealer orders.

The MTS Committee has reconsidered its position on this matter in light of the increase in the number of multiply listed option classes and various pending rule changes associated with multiple listing. The Committee determined that DPM stations will now be held only to the floor-wide firm quote requirements as set forth in Rule 8.51. As such, DPMs will now be obligated to ensure that the disseminated market quotation is firm for the two near-term expiration series for up to ten (10) contracts for public customer orders only.

Questions concerning this memorandum may be directed to Daniel Hustad, Operations Planning Division, at 312-786-7715.