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Regulatory Circular RG99-136

June 9, 1999

To: Members

From: Clearing Procedure Committee

Re: Market Maker Terminal - Electronic Trade Notifications

This regulatory circular, originally issued as RG98-101, is intended to remind market maker terminal users of their obligation to quickly and accurately respond to Electronic Trade Notifications (ETNs). Included in this version is the Committee's policy on auto-accept features, which are being developed for certain hand held terminal systems.

ETN is a delivery interface between the Electronic Book, floor broker workstations (PAR, Mobile PAR) and market maker terminals (MMTs). When a market maker using an MMT executes a trade with the book or a broker using a PAR or Mobile PAR terminal, an ETN is delivered to the MMT. This ETN is a notice that the OBO or floor broker has designated the market maker as a party to the trade. The market maker then has the option of accepting, rejecting or manually entering the trade.

Market makers using MMTs should make every effort to respond to ETNs as quickly and accurately as possible. Exchange Rule 6.51 requires that both the buyer and seller shall immediately and accurately record the trade information on either an electronic storage medium or paper ticket. Market makers who fail to respond to an ETN in a timely manner may be in violation of this rule. For purposes of this notice, the process of accepting or immediately entering the trade manually in the terminal constitutes acceptance of the trade.

Additionally, maker makers who accept ETNs for trades they are not party to, can be found in violation of Exchange rule 6.61, which states that members shall not accept any transaction in which they were not involved. In order to prevent problems arising from ETNs accepted in error, members should review their trades and positions intraday as well as prior to the following trade day. Should a discrepancy be found, the market maker must immediately contact their clearing firm as well as notify the opposing party.

Hand held terminal systems that automatically accept ETNs do not relieve a market maker of their responsibilities outlined in this memorandum. Market makers that use terminals with such features should be especially diligent in verifying their trades on a regular basis.

Questions or comments concerning this memo may be directed to Patrick Fay at 786-7520, Lisa Morano at 786-7319 or Charlie Hullihan at 786-7176.