



Date: July 25, 2001
To: CBOE Members and Member Firms
From: Trading Operations
Re: RAES Automatic Step-up by Order Size

Regulatory Circular RG01-115

The SEC recently approved an Exchange proposal that allows, by class or series, use of the RAES automatic step-up amount based upon order size parameters. Previously, the step-up amount was established at 1 tick, regardless of order size. On July 3, 2001, the EFPC established a policy wherein each DPM/crowd could request the EFPC to establish the step-up parameters for the classes traded at their respective locations, with a minimum step-up amount of 1 tick on orders of 20 contracts or less.

CBOE staff will distribute a form to each DPM/crowd to be used when making a request to change step-up parameters. The forms will be reviewed by the EFPC. Once approved, the changes will be implemented by the Help Desk. CBOE staff will also discuss with each DPM/crowd the flexibility that is provided within the system for setting the step-up amount. In brief, the system will allow, within a class, a different step-up amount to be applied to orders of different sizes. For example, orders of X contracts or less can have a step-up amount of x ticks; orders for a quantity greater than X but less than or equal to Y contracts could have a step-up amount of y ticks; and orders for a quantity greater than Y contracts can be excluded from step-up. Step-up parameters approved by the EFPC within a given option symbol will apply equally to all firms.

If you have any questions, please contact Michael Hollerman at x7197, Anthony Montesano at x7365, or the Help Desk at x7100.