

Regulatory Circular RG02-34

To: Designated Primary Market-Makers (DPMs)
From: Modified Trading System (MTS) Appointments Committee
Re: Proprietary Autoquote Systems
Date: May 28, 2002

Exchange Rule 6.2 requires each Designated Primary Market-Maker (DPM) to commence trading in each equity option allocated to the DPM promptly following the opening of the underlying security on the principal market where it is traded. Similarly, Exchange Rule 24.13 requires each DPM to commence trading in each index option allocated to the DPM at or as soon as practicable after 8:30 a.m.

Certain DPMs have received authorization from the Equity Floor Procedure Committee to utilize a proprietary autoquote system at their trading stations. DPMs are reminded that the malfunction of a proprietary autoquote system does not exempt a DPM from opening option classes in a timely manner, nor does a proprietary autoquote system malfunction automatically constitute a reason for halting trading in a class supported by the system. Further, the malfunction of a proprietary autoquote system or the inability of a DPM to use such a system for whatever reason does not exempt the DPM from fulfilling the DPM's market-making obligations, including but not limited to the DPM's obligation under Exchange Rule 8.85(a)(1) to "assure that disseminated market quotations are accurate" and the DPM's obligation under Exchange Rule 8.85(c)(ii) to "provide high quality markets and services".

For these reasons, the MTS Committee *strongly* encourages all DPMs who utilize a proprietary autoquote system to avail themselves of the CBOE Autoquote System as a back-up autoquote system at their trading station and to assure that the back-up system is maintained at all times for immediate use when necessary.

Questions regarding this circular may be directed to Daniel Hustad at 786-7715.