



TO: Members and Member Organizations

FROM: Equity Floor Procedure Committee

DATE: October 31, 2002

RE: Changes to the Unbundling and 15-second Rules

On October 7, the SEC approved a CBOE rule filing that creates a safe-harbor from the unbundling rule. Specifically, the new rule provides that multiple RAES-eligible orders submitted more than 15-seconds apart (i.e., 16 seconds or more) won't be considered to have been unbundled. The entry of multiple orders for the same or related accounts **within** 15-seconds (i.e., 15 seconds or less), in addition to violating the 15-second prohibition, would also be considered unbundling if the purpose was to turn a RAES-ineligible order into two (or more) smaller RAES-eligible orders.

The new rule also provides that the 15-second prohibition will now only apply to orders entered on the same side of the market. Previously, the prohibition applied to orders on either side of the market in a call class and/or put class.

This Regulatory Circular supersedes RG00-27 and supplements RG97-98.

Please address any questions regarding this circular to Steven Slawinski in Market Regulation (312) 786-7744 or Steve Youhn in the Legal Division (312) 786-7416.