



400 S. La Salle
Chicago, IL 60605

Date: July 27, 2005 **Regulatory Circular RG05-63**
To: Members and Member Firms
From: Department of Market Regulation
Re: Restricted Series

On July 26, 2005 the CBOE implemented system changes in order to electronically process orders for series or classes that are restricted to trading 'closing' position orders.

For orders in restricted series, non-market maker/Firm orders that are designated as 'OPEN' will route to a printer in the firm booth. Printed orders are clearly marked as being destined for a 'RESTRICTED SERIES'. These orders must be manually reviewed to determine whether the conditions described in Rule 5.4 are present and whether these orders are thus able to be represented and traded. For example, an opening sale order will route to a printer but it is not prohibited¹.

Orders in restricted classes or restricted series that are designated as 'CLOSE' will route to the appropriate destination to be represented or traded. (Based on order routing parameters, these orders will auto-ex, book, route to PAR, or route to BART.)

The execution of opening purchase transactions in restricted options, except as permitted above, and/or the misrepresentation as to whether an order is opening or closing, constitutes a violation of CBOE rules, and may result in disciplinary action. Member organizations may not rely on CBOE systems to prevent the execution of opening purchase transactions and should ensure that they have appropriate procedures in place to prevent their customers and correspondents from entering opening purchase orders in any restricted option class. Members should also have appropriate procedures in place to ensure that any such orders that are routed and then printed as described above are subject to appropriate evaluation of whether the order is eligible to be represented and executed.

Operational questions may be directed to Kerry Winters (312)786-7312. Regulatory questions may be directed to Joanne Heenan-Hustad (312) 786-7786 or heenan@cboe.com.

¹ Pursuant to Rule 5.4, opening purchase transactions are prohibited in any series of restricted options except for (i) opening transactions by CBOE Market-Makers executed to accommodate closing transactions of other market participants and (ii) opening transactions by CBOE member organizations to facilitate the closing transactions of public customers executed as crosses pursuant to and in accordance with CBOE Rule 6.74(b) or (d).