

Regulatory Circular # 95-112

Date: December 8, 1995
To: Exchange Membership
From: Merrill J. Ferguson, Chairman
OEX Floor Procedures Committee
Re: OEX Crowd Standards of Trading Conduct

This Circular sets forth certain accepted and established standards of OEX crowd trading conduct with respect to firm quotes.

Manner of Bids and Offers

All bids and offers made in OEX for less than 20 contracts must be accompanied by size. Failure to indicate size on bids or offers for less than 20 contracts may result in a member being fined.

OEX Firm Quote: General Procedures

The basic provision of the firm quote rule (Rule 8.51) as it relates to OEX is that the OEX trading crowd is required to sell (buy) at least ten (10) contracts at the offer (bid) which is displayed when a buy (sell) order reaches the trading pit. This Rule is effective FOR ALL SERIES, but only non-broker-dealer customer orders are entitled to an execution under this Rule.

Thus, the trading crowd is responsible to the first Floor-Broker for ten (10) contracts at the displayed bid/offer in the crowd for a non-broker-dealer customer order. Floor-Brokers have an equal obligation to obtain an execution for ten (10) contracts or less at a price no worse than the disseminated market for a non-broker-dealer customer order.

OEX Firm Quote: Specific Procedures

1. Any member who makes any bids or offers in the OEX trading crowd which change the disseminated market quote **is responsible for removing that disseminated bid or offer if it is no longer effective.** Failure to do so will result in that Floor-Broker, Market-Maker or OBO being responsible for satisfying the firm disseminated quote commitment.

2. Members **shall not cause bids/offers for less than ten (10) contracts to be displayed.** A public customer order for less than ten (10) contracts represented by a floor broker, however, may be displayed. Market-Maker and broker-dealer orders for less than ten (10) contracts that are represented in the crowd by a Floor-Broker should not be reflected in the displayed market quote; however, a Floor-Broker remains obligated to use due diligence in the representation of an order.

NOTICE TO OEX CROWD MEMBERS

Members of the OEX Floor Procedure Committee and Trading Floor Liaison staff ("TFL") will monitor adherence to these standards (with assistance by the Market Performance Committee and the Floor Officials). Members who fail to adhere to these standards of conduct may be fined for violations of Exchange Rule 6.20, in that failure to adhere to such standards is inconsistent with the maintenance of a fair and orderly market; is apt to impair public confidence in the operations of the Exchange; and is inconsistent with the ordinary and efficient conduct of business in the crowd. In addition, members may be charged with other appropriate violations of Exchange rules and could be subject to further disciplinary action by the Business Conduct Committee.

Questions concerning these standards should be directed to members of the OEX Floor Procedures Committee.