

Regulatory Circular 95-52

DATE: June 28, 1995

TO: Members and Member Firms

FROM: Equity Floor Procedure Committee
Market Performance Committee

RE: Firm Quotes in Two-Part Equity Option Orders

The Exchange has approved an expansion in the applicability of Exchange Rule 8.51, *Trading Crowd Firm Disseminated Quotes* (the "Rule") so that the Rule now will apply to two-part orders in equity options, in which the component parts are on opposite sides of the market and in a one-to-one ratio. Certain types of spreads and straddles are examples of the types of two-part orders to which the firm quote rule would apply.

The terms of the Rule specify that non-broker-dealer customer orders shall be entitled to execution, with limited exceptions, at the displayed quote for at least ten contracts. The trading crowd as a whole is responsible for satisfying this "ten-up" requirement.

Since its inception, the Rule was intended to apply to, and has been interpreted to apply to, single orders only. The Exchange has determined, however, that public customers would be served better if the application of the Rule were expanded to include two-part orders in equity options, in which the components are on opposite sides of the market and are in a one-to-one ratio. Multi-part orders in which the components are not in a one-to-one ratio, are not on opposite sides of the market, or involve more than two series would not be held to the firm quote requirement.

It should also be noted that Floor Brokers have a duty under Exchange Rule 6.73 to use due diligence in the handling and representation of these types of orders. When a Floor broker

holds a two-part order eligible for firm quote treatment, that Floor Broker may be held responsible for failure to execute the order during a time when the disseminated market quotations in the component series indicate that the order may have been executable.

Questions concerning this memorandum may be directed to Daniel Hustad at (312) 786-7715.