

Chapter VI

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Section B: Member Activities on the Floor

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[Orders Required To Be in Written Form] Required Order Information Rule 6.24

(a) [Transmitted to the Floor. Each order transmitted to the floor must be recorded legibly in a written form that has been approved by the Exchange, and the member receiving such order must record the time of its receipt on the floor. Each such order must be in legible written form when taken to the post for attempted execution.] *Orders Must Be Systematized. Commencing not later than August 29, 2003, each order, cancellation of, or change to an order transmitted to the Exchange must be systematized, in a format approved by the Exchange, either before it is sent to the Exchange or upon receipt on the floor of the Exchange.*

An order is systematized if:

1. it is sent electronically to the Exchange; or
2. it is input electronically into the Exchange's systems immediately upon receipt on the Exchange, e.g., telephone orders.

(b) [Cancellations and Changes. Each cancellation of, or change to, an order that has been transmitted to the floor must be recorded legibly in a written form that has been approved by the Exchange, and the member receiving such cancellation or change must record the time of its receipt on the floor.]

Exempt classes. The Exchange may exempt non-multiply listed index and other option classes traded exclusively on the Exchange other than equity option classes (exempt classes) from the requirements in paragraph (a) of this Rule. With respect to orders for exempt classes:

(i) *Transmitted to the Floor. Each order for an exempt class transmitted to the floor must be recorded legibly in a written form that has been approved by the Exchange, and the member receiving such order must record the time of its receipt on the floor. Each such order must be in legible written form when taken to the post for attempted execution.*

(ii) *Cancellations and Changes. Each cancellation of, or change to, an order for an exempt class that has been transmitted to the floor must be recorded legibly in a written form that has been approved by the Exchange, and the member receiving such cancellation or change must record the time of its receipt on the floor.*

[(c)iii] Executions. A member transmitting from the floor a report of the execution of an order for an exempt class must record the time at which a report of such execution is received by such member.

[(d)iv] On-floor Market-Maker Orders. Each order for an exempt class transmitted by a Market-Maker while on the floor, including any cancellation of or change to such order, must be recorded legibly in a written form that has been approved by the Exchange, and must be time stamped immediately prior to its transmission.

* * * Interpretations and Policies

.01 Any member desiring to use an order form other than those provided by the Exchange must submit such form to the appropriate Floor Procedure Committee and obtain its approval prior to using such form on the Floor.

.02 (a) [Without limiting the applicability of the foregoing, the] *The use of hand signal communications on the floor of the Exchange may be used to initiate an order, to increase or decrease the size of an order, to change an order's limit, to cancel an order, or to activate a market order. [Unless an options class is exempted by the Exchange, a]Any initiation, cancellation, or change of an order relayed to a floor broker through the use of hand signals also must be relayed to the floor broker in [written] electronic form[, time-stamped,] immediately thereafter, unless the Exchange exempts an option class from this requirement. All other rules applicable to order preparation and retention, and reporting duties are applicable to orders in exempted options classes under this Interpretation, except that the record-keeping obligation lies with the member signaling the order where a hand signal is used. All cancellations and changes of orders held by the Board Broker or Order Book Official must be provided in [written] electronic form.*

(b) [Until further notice the following are exempt options classes under this Interpretation: OEX, SPX, NSX, and DJX.] *The Exchange may exempt non-multiply listed index and other option classes traded exclusively on the Exchange other than equity option classes under this Interpretation. The Exchange will publish via regulatory circular those options classes that it has exempted under this Interpretation.*

.03 The appropriate Floor Procedure Committee will from time to time prescribe the form of Telephone and Terminal Order Formats in a Manual and the contents of this Manual are hereby incorporated in these Rules and

will have full force and effect as if fully set forth herein.

.04 *Stop-limit orders as defined in Rule 6.53(c)(iv) are exempt from the requirements of paragraph (a) of this Rule until December 11, 2003, or such earlier date as the Exchange's order routing and execution systems have the functionality to handle stop-limit orders.*

.05 *Accommodation liquidations as described in Rule 6.54 are exempt from the requirements of paragraph (a) of this Rule.*

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II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**1. Purpose**

The Exchange proposes this amendment to its current rules to comply with the requirement to implement COATS. The Exchange is submitting the proposed rule change to CBOE Rule 6.24 in connection with subparagraph IV.B.e(v) of the Commission's Order,⁵ which requires the options exchanges to design and implement COATS to "incorporate into the audit trail all non-electronic orders (such that the audit trail provides an accurate, time-sequenced record of electronic and other orders, quotations and transactions on such respondent exchange, beginning with the receipt of an order by such respondent exchange and further documenting the life of the order through the process of execution, partial execution, or cancellation of that order * * * ("Phase V")).

In order to assure that all non-electronic orders are incorporated into COATS for Phase V, the proposed rule change would amend CBOE Rule 6.24, which currently requires orders to be in written form. The proposed rule change would require that each order, change to

⁵ *Id.*