

<b>Market Information Circular</b>			
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The purpose of this memo is to notify members of immediate activation of preference orders. This functionality was delivered in the R5 release and **will be activated for trading on Wednesday June 15, 2005.**

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## Preferencing

The central system has been enhanced to allow Electronic Access Members (EAM) to submit orders that are preferenced to a certain market maker. When an order is preferenced, the preferenced market maker (PrefMM) will receive a modified allocation, subject to restrictions outlined below. There is no change required on the part of the market making applications.

In order to receive the preferenced allocation, the PrefMM must be quoting at the NBBO. If not quoting at the NBBO, regardless of the Match-Away-Market parameter, the order will be treated as a regular order.

The modified allocation will be the greater of:

1. The market makers pro-rata share
2. 60% if there is one other non-customer order/quote on the book, and 40% if there is more than one other non-customer order/quote on the book.

As with other trade allocations, customer orders will receive priority. There will be no distinction for orders of five contracts or less. If the PMM is the PrefMM, it will get the 60/40 allocation only. If the PrefMM is a CMM, and the order is preferenced, the PMM will receive an allocation as a CMM. There is no change to the existing PMM allocation for non-preferenced orders or for preferenced orders when the PrefMM is not quoting at the NBBO.

The following order types are ineligible for preferencing:

- CAB
- Block
- Crossing
- Spread

The system will accept preferencing in any series state, but if the order can not trade immediately, it will be converted to a regular order and lose any preferencing.