

REGULATORY CIRCULAR (04-01)

To: All Specialist Firms

From: John Boese

Date: October 14, 2004

Re: Trading Ahead/Priority Rules (including, but not limited to, Chapter II, *Dealings on the Exchange*, Section 11, *Trading While Acting as a Broker*, Section 6, *Bids and Offers for Stocks*, Section 25, Violations of the Securities Exchange Act of 1934; Chapter XV, *Specialists*, Section 1, *Registration*, Section 2 *Responsibilities*, Section 3, *Code of Acceptable Business Practices for Specialists*, Section 4, *Precedence to Orders in the Book*; Chapter XVII, *Members Dealing for Own Account*)

As you know, a considerable amount of work has occurred over the last year as it relates to Trading Ahead/Priority. At this time, once again, we want to stress the Boston Stock Exchange's policy regarding compliance with all trading ahead/customer priority rules. For all violations, the following actions are to be taken:

- All customers disadvantaged as a result of a violation of any trading ahead/priority rules must be made whole within 24 hours
- All violations of trading ahead/priority rules will be submitted to BSE enforcement

There will be a mandatory meeting at 4:05 p.m. today, October 14, 2004, in the Vault, with the heads of all specialist firms. If there are any questions, please contact me.