



Regulatory Circular RG05-08

To: CBOE Members, Member Firms and Member Organizations

**From: Equity Option Procedures Committee
Options on Spiders Procedures Committee**

Date: January 13, 2005

Re: In-Crowd Market-Makers May Auto-ex Once per 15-Seconds

Effective immediately in all equity option Hybrid classes and in the Spiders ETF option class, in-crowd Market-Makers ("ICMs") may submit orders for automatic execution in their appointed classes, even while present in the crowd. Previously, ICMs were limited to receiving executions on book trades via the N-Second Group process (QUOTE TRIGGER), and were also subject to a 1-second QUOTE LOCK when trading with other Hybrid participants. Now, ICMs have two methods by which they may submit orders to buy an offer or sell a bid: they may submit an order for automatic execution, or they may continue to submit I-orders or quotes to trade via QUOTE TRIGGER and/or QUOTE LOCK. Orders submitted for automatic execution are subject to the restriction in Rule 6.13(c) limiting all ICMs to one automatic execution on the same side of the market per 15 seconds.

Orders submitted for automatic execution must contain an origin of "M" (market maker). M orders to buy the offer or sell the bid will immediately auto-ex (with no delay from the Hybrid QUOTE TRIGGER or QUOTE LOCK), as long as CBOE is on the NBBO. If CBOE is not on the NBBO, the order will route to the booth (BART). Members using third-party software that has the ability to send M orders already have what they need to participate. Those using a vendor that does not offer this feature should contact their vendor to discuss the functionality.

Vendors interested in testing this functionality with CBOE should contact Doug Hoffman at (312) 786-7699. General questions regarding this matter may be directed to Anthony Montesano at (312) 786-7365 or Greg Burkhardt at (312) 786-7531.