CBOE
CHICAGO BOARD OPTIONS EXCHANGE

Regulatory Circular RG05-43

To: **Membership**

From: **Equity Options Procedure Committee**

Date: **April 28, 2005**

Re: **Execution of Complex Orders and Routing of Orders to the Complex Order Book**

On April 1, 2005, CBOE implemented the CBOEdirect Complex Order Book (COB) in selected Hybrid classes. On April 29, 2005, rollout will be expanded to each trading crowd, with between 1-3 classes in each station being included. Members and staff will discuss the details of the COB with each crowd, and signs will be posted in each crowd identifying the classes in which the COB will be activated.

As established by the Equity Options Procedure Committee (EOPC), complex orders will continue to route initially to PAR where the PAR broker will represent the orders in open outcry. If an order is not filled in open outcry, the PAR broker may use the <BOOK> button to re-route qualifying DAY and GTC orders to the COB. EOPC has determined that qualifying complex orders that are not executed in open outcry are to be booked by the PAR broker within 30 seconds of PAR receipt.

Which orders qualify for booking?:
1) Only customer orders may be booked. Firm/BD/market maker orders are not currently bookable.
2) Orders with a ratio of 1:1, 1:2, 1:1:1, 1:2:1 and 1:1:1:1 are bookable. Other ratios are not currently bookable.
3) Orders partially executed/endorsed on PAR are not bookable.
4) Market orders are not bookable.
5) Orders with a stock leg are not bookable.

Once in the COB, the order will electronically execute if:
1) the individual series quotes line up to make the resting order marketable;
2) a Hybrid quoter submits a strategy quote or I-order that touches the resting order;
3) the PAR broker books an opposing order that touches the resting order.

Through the Hybrid API, CBOEdirect provides functionality for quoters to both read the resting COB market and send strategy quotes or I-orders to trade against orders in the COB. The API specifications are available on the CBOE web-site at www.cboe.com. Those with proprietary systems who are interested in this API functionality should contact Mike Trees at (312)786-8408, Anthony Montesano at (312)786-7365 or the API Client Relations group at (312)786-7300. Those quoters using a third-party vendor as their auto-quote provider should contact their vendor for a status.

CBOEdirect workstations are available in each crowd where the COB has been activated. These workstations may be used by brokers and market makers to display COB orders on a class-by-class basis. Later this summer, PAR will be modified to display COB orders for strategies that match a PAR order.

General questions regarding the COB may be directed to Mike Trees at (312)786-8408, Anthony Montesano at (312)786-7365 or the Help Desk at (312)786-7100.