



400 S. La Salle
Chicago, IL 60605

Regulatory Circular RG05-128

Date: December 13, 2005

To: Members, Member Firms and Member Organizations

From: Trading Operations/Legal Division

Re: Change to Exposure Period for Crossing Orders in Hybrid

A rule change that decreases the exposure period for crossing orders in the Hybrid Trading System ("Hybrid") from 30 seconds to 10 seconds has been approved by the Securities and Exchange Commission and is effective. (See SR-CBOE-2005-94; Release 34-52889.)

The text of the rule change is attached. Questions regarding this circular may be directed to Jennifer Lamie at 312-786-7576 or Anthony Montesano at 312-786-7365.

The text of the proposed rule change is provided below (additions are underlined; deletions are [bracketed]):

Chicago Board Options Exchange, Incorporated

Rules

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Rule 6.45A. - Priority and Allocation of Equity Option Trades
on the CBOE Hybrid System

(a) – (e) No change.

. . . Interpretations and Policies:

.01 Principal Transactions: Order entry firms may not execute as principal against orders they represent as agent unless: (i) agency orders are first exposed on the Hybrid System for at least [thirty (30)]ten (10) seconds, (ii) the order entry firm has been bidding or offering for at least [thirty (30)]ten (10) seconds prior to receiving an agency order that is executable against such bid or offer, or (iii) the order entry firm proceeds in accordance with the crossing rules contained in Rule 6.74.

.02 Solicitation Orders. Order entry firms must expose orders they represent as agent for at least [thirty (30)]ten (10) seconds before such orders may be executed electronically via the electronic execution mechanism of the Hybrid System, in whole or in part, against orders solicited from members and non-member broker-dealers to transact with such orders.

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Rule 6.45B - Priority and Allocation of Trades in
Index Options and Options on ETFs on the CBOE Hybrid System

(a) – (d) No change.

. . . Interpretations and Policies:

.01 Principal Transactions: Order entry firms may not execute as principal against orders they represent as agent unless: (i) agency orders are first exposed on the Hybrid System for at least [thirty (30)]ten (10) seconds, (ii) the order entry firm has been bidding or offering for at least [thirty (30)]ten (10) seconds prior to receiving an agency order that is executable against such bid or offer, or (iii) the order entry firm proceeds in accordance with the crossing rules contained in Rule 6.74.

.02 Solicitation Orders. Order entry firms must expose orders they represent as agent for at least [thirty (30)]ten (10) seconds before such orders may be executed electronically via the electronic execution mechanism of the Hybrid System, in whole or in part, against orders solicited from members and non-member broker-dealers to transact with such orders.

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