CBOE
CHICAGO BOARD OPTIONS EXCHANGE

Regulatory Circular RG06-67

To: Membership
From: Equity & Index Options Procedure Committees
Date: June 28, 2006
Re: Execution of Complex Orders and Routing of Orders to the COB

The Hybrid Complex Order Book (COB) will have been implemented in all Hybrid classes as of June 30, 2006 (see Regulatory Circular RG06-66 regarding SPY and DJX COB activation). The following is a summary of the current procedures and parameters applicable to the COB.

Complex Orders Eligible for Booking in COB:
   (1) Only complex orders for origins CUSTOMER, FIRM, and BD orders may be booked.
   (2) Orders with a ratio of 1:1, 1:2, 1:1:1, 1:2:1 and 1:1:1:1 are bookable.
   (3) Orders partially executed/endorsed out of ratio on PAR are not bookable.
   (4) Market orders are not bookable.
   (5) Orders with a stock leg are not bookable.

Routing of Complex Orders into the COB: Eligible complex orders may be routed directly into the COB, or from PAR to the COB. If an order is not filled in open outcry, the <BOOK> button may be used to re-route eligible DAY and GTC limit orders from PAR to the COB. For additional information on price reasonability checks applicable to the routing of complex orders, see Information Circular IC06-72.

Execution of Complex Orders in the COB: Orders routed to the COB that are marketable will trade immediately, while those that are not marketable will simply book and rest in the COB. Resting COB orders will be canceled electronically upon receipt of a cancel request and will execute electronically if:

   (1) the individual series quotes line-up to make the order marketable;
   (2) an opposing order that can trade with the resting order is received into the COB; or
   (3) a Hybrid market participant submits an order to trade with the resting order.

As with the non-strategy book, customer orders have priority over Firm and BD orders that are entered into the COB.

PAR has been modified to display COB orders for strategies that match a PAR order. In addition, through the Hybrid API, CBOEdirect provides functionality for quoters to both read the resting COB market and send strategy quotes, I-orders or M IOC orders to trade against orders in the COB. The API specifications are available on the CBOE web-site at www.cboe.com. For additional Market-Makers' use of IOC orders to hit COB in appointed classes, see Regulatory Circular 06-48.

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

(This circular updates and replaces Regulatory Circulars RG05-43 and RG05-55.)