



## **REGULATORY CIRCULAR RG06-76**

**TO:** Members and Member Firms  
**FROM:** Legal Division  
**RE:** Permanent Approval of Pilot Program Relating to Timers for the Hybrid Automatic Execution System for Options Market-Maker (M & N) and Stock Specialist (Y) Orders  
**DATE:** July 21, 2006

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A rule change that makes permanent the pilot program relating to the timers for automatic execution of orders for the accounts of Market-Makers or specialists on an options exchange (collectively, "options Market-Makers") and of stock exchange specialists has been approved by the Securities and Exchange Commission. A copy of CBOE's rule change (SR-CBOE-2005-112), as well as Rule 6.13, *CBOE Hybrid System's Automatic Execution Feature*, is available on CBOE's website at [www.cboe.org/Legal](http://www.cboe.org/Legal).

Under Exchange Rule 6.13(b)(I)(C)(iii), the appropriate Procedures Committees may determine on a class-by-class basis to allow orders for the accounts of options Market-Makers who are exempt from the provisions of Regulation T to be eligible for automatic execution. The appropriate Procedures Committees may also determine on a class-by-class basis to allow orders for the account of a stock exchange specialist, with respect to a security in which it acts as specialist, to be eligible for automatic execution in the overlying option class.

Option Market-Maker and stock exchange specialist orders that are eligible for submission are subject to certain limitations on the frequency at which they can be submitted. Pursuant to Exchange Rule 6.13(b)(i)(C)(iii), the appropriate Procedure Committees have set the period required between entry of multiple option Market-Maker orders (referred to as "M" and "N" orders) or multiple stock exchange specialist orders (referred to as "Y" orders) on the same side of the market in an option class for an account or accounts of the same beneficial owner using the Hybrid System at **5 seconds** for all Hybrid classes other than the QQQQ and SPY option classes. As of July 25, 2006, the timer in the QQQQ and SPY option classes will be **0 seconds**. (See Regulatory Circular RG06-75.)

Members seeking further information regarding the Hybrid System automatic execution process and order eligibility should refer to Rule 6.13, or contact Anthony Montesano, Trading Operations, at 312-786-7365 or Jennifer Lamie, Legal Division, at 312-786-7576.