CBOE
CHICAGO BOARD OPTIONS EXCHANGE

Regulatory Circular RG07-65

To: Members, Member Firms and Member Organizations
From: Trading Operations
Date: June 14, 2007
Re: Credit Default Options System Settings

On June 19, 2007, CBOE plans to begin trading Credit Default Options on the following companies:

> Ford Motor Co
> General Motors Corp
> Hovnanian Enterprises Inc.
> Lear Corp
> Standard-Pacific Corp

The Jane Street DPM, located at Post 6 Station 4, has been allocated these products.

System settings for these products will be as follows:
- Trading will take place on the Hybrid 2.0 trading platform.
- RMMs will be permitted.
- Please refer to Rule 29.17 for details on quoting obligations.
- Seat cost will be .001.
- Trades executed electronically will be allocated in Pro-Rata fashion with Public Customer and DPM Participation Entitlements (trades executed in open outcry will be allocated pursuant to Rule 6.45B(b)).
- C, F, B, M and N orders will be eligible for auto-ex. The interval for the entry of M and N orders will be 0 seconds.
- C, F, B, M and N orders will be eligible for booking.
- Book trigger timer (N-second joining period) will be inactive.
- Quote-to-Quote Lock timer will be set to 1 second.
- COB and COA will be available with a nickel increment. For all other COB and COA eligibility parameters, please refer to Regulatory Circulars RG06-67 and RG06-73.
- AIM will be available with penny auction increment.
- HAL will not be available.
- Preferred Market Maker will not be available.

Other details:
- Credit Default Options are single-strike binary options.
- A single call (no puts) with a strike price of 1 will be listed for each product.
- Quotes and last sales will be disseminated to OPRA.
- The open outcry crossing entitlement will be 40% (after satisfying public customer orders) for facilitation and solicitation of eligible orders of 50 contracts or more. Please refer to Rule 6.74(d) for further details.
- Openings will be conducted via the Hybrid Opening System, which will initiate the opening procedure and send a Rotation Notice at a random time after 8:30 a.m.   Series will then begin opening in the manner described in Information Circular IC06-104.
- When a Credit Event has been confirmed by the Exchange, trading in the Credit Default Option will be halted.

Please see Chapter XXIX of the CBOE rules or go to http://www.cboe.com/micro/credit/introduction.aspx for further details. Please contact Greg Burkhardt at 312-786-7531 or the Help Desk at 1-312-786-7086 or 8749 with any questions.