



400 S. La Salle
Chicago, IL 60605

Regulatory Circular RG07-80

To: Members, Member Firms and Member Organizations
From: Trading Operations
Date: July 25, 2007
Re: Basket Credit Event Binary Options - System Settings

On July 31, 2007, CBOE plans to begin trading Basket Credit Event Binary Options ("Basket CEBOs") on the following products:

- Auto Sector Basket
- Home Builder Sector Basket
- High Yield Composite Basket

The Jane Street DPM, located at Post 6 Station 4, has been allocated the Auto Sector and Home Builder Sector Basket CEBOs, and Susquehanna DPM, also located at Post 6 Station 4, has been allocated the High Yield Composite Basket CEBO.

System settings for Multiple and Single Payout Basket CEBOs¹ 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.
- AIM will be available with a penny auction increment.
- COB and COA will not be available.
- HAL will not be available.
- Preferred Market Maker will not be available.

¹ At this time, CBOE does not intend to list Single Payout Basket CEBOs; however, the system settings described in this circular are applicable to Single Basket CEBOs, except where otherwise noted.

Other details will be as follows:

- Multiple and Single Payout Basket CEBOs 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.
- Trading will continue in Multiple Payout Basket CEBOs when a Credit Event has been confirmed by the Exchange, unless there are no remaining basket components. Holders as of the close of the confirmation date of the Credit Event will receive the payout based on that Credit Event.
- Single Payout Basket CEBOs will cease trading and expire when a Credit Event has been confirmed by the Exchange and holders will receive the payout based on that Credit Event.

Please see Chapter XXIX of CBOE's 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.