



Regulatory Circular RG07-102

To: Members
From: Legal Division
Date: September 28, 2007
Subject: Changes to “No Bid Series” Provision of the Equity Obvious Error Rule

The SEC recently approved a rule change that amended the “no bid series” provision of Rule 6.25, *Nullification and Adjustment of Equity Option Transactions*, to include additional criteria and clarifying language (*see* Release 34-56487, SR-CBOE-2007-04). Previously, electronic transactions in series quoted no bid would be nullified provided at least one strike price below (for calls) or above (for puts) in the same options class was quoted no bid at the time of execution.

Under the revised provision, electronic transactions in a series quoted no bid on CBOE will be nullified provided:

- (i) the bid on CBOE in that series immediately preceding the execution was, and for five (5) seconds prior to the execution remained, was zero; and
- (ii) at least one strike price below (for calls) or above (for puts) in the same options class was quoted no bid on CBOE at the time of execution.¹

When determining CBOE’s quotes in the relevant series for purposes of (i) and (ii) above, bids and offers of the parties to the subject trade that are in any of the series in the same options class shall not be considered. Additionally, each group of series in an options class with a non-standard deliverable will be treated as a separate options class. For example, if due to a reorganization certain of the series in the ABC option class have a deliverable of 150 shares per options contract (as compared to the standard 100 shares per option contract), all ABC option series that are subject to the 150 contract delivery requirements would be considered separately from the ABC option series that are subject to the 100 contract delivery requirements for purposes of applying the no bid provision.

Members seeking further information as to the revised rule should refer to the rule change, which is available on CBOE’s website at www.cboe.org/Legal. For any other questions, please contact Jennifer Lamie, Legal Division, at (312) 786-7576, or Trading Officials at (312) 786-7914.

¹ Consistent with the existing provisions, for a nullification to be granted, any member or person associated with a member that believes it participated in a transaction that falls within the no bid series parameters must also satisfy the notification procedures set forth in paragraph (b) of Rule 6.25.