



Regulatory Circular RG07-132

To: Membership

From: Trading Operations and Legal Division

Date: December 5, 2007

Re: Ability to Quote 1-up Markets During Hybrid Opening System ("HOSS") Rotations

A rule change has become effective that permits Maker-Makers, RMMs, DPMs, e-DPMs and LMMs (collectively referred to as "CBOE MMs") to post a 1-up size on the appropriate side of the option quote when the quote size on the primary underlying market is disseminating less than a 1000 share quote at the time the CBOE MM enters its opening quotes during a HOSS rotation. In contrast to intraday 1-up quoting requirements under Rule 8.7 (see RG04-92), this process does not require the 1-up opening quote process to be automated or the CBOE MM's quote size to automatically return to at least 10-up when the underlying primary market no longer disseminates less than a 1000-share quote. Instead, a CBOE MM can maintain a 1-up quote until the quote is decremented or the CBOE MM updates the quote. Once an option series is opened and a CBOE MM's quote is decremented or the CBOE MM determines to update the quote, such an updated quote would be subject to the electronic quotation size obligations set forth in Rule 8.7.

Examples:

- If immediately prior to the time that a CBOE MM enters an opening quote during a HOSS rotation the NYSE quote size in ABC stock is 100x100, the CBOE MM's minimum quote size requirement is 1x1 for calls and puts.
- If immediately prior to the time that a CBOE MM enters an opening quote during a HOSS rotation the NYSE quote size in ABC stock is 100x700, the CBOE MM's minimum quote size requirement is 1x1 for calls and 1x1 for puts.
- If immediately prior to the time that a CBOE MM enters an opening quote during a HOSS rotation the NYSE quote size in ABC stock is 2000x100, the CBOE MM's minimum quote size requirement is 10x1 for calls and 1x10 for puts.

If you have questions regarding the foregoing, please refer to rule filing SR-CBOE-2007-59, located online at www.cboe.org/Legal or contact Anthony Montesano in Trading Operations at (312)786-7365, or Tim MacDonald in Market Regulation at (312) 786-7706. For questions regarding application of the rule, please contact Jennifer Lamie in the Legal Division at (312) 786-7576.