



400 S. La Salle  
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## Regulatory Circular RG08-09

Date: January 9, 2008  
To: CBOE Members  
From: Index Options Procedure Committee  
Re: Simple Auction Liaison (SAL) and Hybrid Automated Liaison (HAL) in Hybrid 3.0 Classes

CBOE is pleased to announce that effective January 23, 2008, SAL and HAL will be activated in the Hybrid 3.0 Classes (SPX, OEX and MVR). The SAL mechanism is an auction that allows for electronic price improvement on eligible simple (non-complex) marketable orders. HAL is a mechanism which alerts members to limit orders entering the book.

As in all other Hybrid classes, the HAL flash period will be 300ms, the joining period will be 700ms, and the allocation algorithm will be pro-rata. However, when the Exchange's BBO is represented by a manual quote on the same side as the incoming order, the limit order will automatically route to the electronic book instead of being processed by HAL and the manual quote will be canceled.

SAL details are as follows:

1. Eligible marketable orders will be stopped at the LMM quote and exposed to a brief (300ms) electronic auction for price improvement. Customer orders of 50 contracts and less will be eligible.
2. The starting price for the auction will be the LMM quote. The auction increment in all three classes will be \$.05 below \$3.00 and \$.10 above \$3.00.
3. The auction message will be available to all market makers with appointments in the class and firms that have orders resting at the BBO.
4. At the end of the auction period, the order will be executed at the best price(s), including any customer book orders, auction responses and the LMM auto-quote.
5. The trade will be allocated using pro-rata, with each user's response capped at the size of the incoming order (i.e. "capped" pro-rata).
6. An auction will not begin if the incoming order size exceeds the LMM quote size or if a manual quote is present on the BBO on the opposite side of the incoming order.

Members who use third party auto-quote systems should contact their vendor regarding SAL and HAL functionality. Vendors and liquidity providers with proprietary systems may schedule testing with the API Group at (312) 786-7300. General questions regarding this change may be directed to Anthony Montesano at (312) 786-7365 or the Help Desk at (312) 786-7100.