



400 S. La Salle  
Chicago, IL 60605

Regulatory Circular RG08-53

Date: April 25, 2008  
To: CBOE Members  
From: CBOE Trading Operations  
Re: Enhancements to Electronic Crossing Mechanisms

CBOE is pleased to announce several enhancements to its electronic crossing mechanisms. In general, new features include an all-or-none solicitation mechanism (AON AIM) for orders of 500 and greater, along with AIM and AON AIM for complex orders. Each is available in all classes except SPX, OEX, XEO and MVR and is explained in summary below. AIM and AON AIM for simple (non-complex) orders are available on FBW and HyTS workstations. AIM and AON AIM for complex orders, although not yet available on FBW, is available on HyTS and CBOE*direct* Trader Workstations and through proprietary connections to the CBOE APIs. General questions may be directed to Anthony Montesano at (312) 786-7365 or [montesan@cboe.com](mailto:montesan@cboe.com) or Mike Trees at (312) 786-8408 or [treesm@cboe.com](mailto:treesm@cboe.com). Testing requests and specific API questions may be directed to the API Group at (312) 786-7100 or [api@cboe.com](mailto:api@cboe.com).

**1. AIM Facilitation and Solicitation (for simple and complex orders):**

- A single paired transaction, including a "Primary Order" (PO) and "Match Order" (MO), are submitted via FIX or CMI.
- Each side of the pair can have its own executing firm number and origin code (i.e. C, B, F, M, N). However, CBOE MMs with an appointment in the class may not be used as the MO.
- The MO must be for the full size of the PO.
- For simple orders, the MO must have a price of MKT or a limit at least \$.01 better than the NBBO for orders of 49 and less, or no worse than NBBO for orders of 50 and greater. A price of MKT will allow the MO to automatically match the price(s) and size submitted by any other responders to the auction. If there are no other responders, the execution will occur \$.01 better than NBBO or at NBBO, depending on the size of the transaction.
- For complex orders, the price on the MO must be at least \$.01 inside the strategy price established by the disseminated CBOE markets on the individual series/legs.
- If the MO price is matched, the MO will be allocated a minimum of 40%.
- For customer-to-customer immediate cross transactions (currently available only for simple orders), there is no auction and the cross occurs immediately. The price on the MO must be no worse than NBBO and must improve any public customers resting on the CBOE BBO. Immediate customer-to-customer cross for complex orders is expected in June 2008.
- For additional information on AIM, including customer-to-customer immediate cross transactions, please refer to Rule 6.74A and Regulatory Circular RG08-47.

**2. AON AIM Solicitation (for simple and complex orders):**

- Utilizes the same FIX/CMI formats as “regular” AIM, except that both the PO and MO must contain a contingency of AON and the size minimum is 500.
- Both the PO and MO will cancel if the executing firm is the same on both and the origin on the MO is F (Firm), as principal transactions are not permitted with the AON AIM contingency.
- Additionally, CBOE MMs with an appointment in the class may not be used as the MO.
- The price on the MO must equal or improve the CBOE BBO, but does not have to match or improve the NBBO. The minimum price increment is \$0.01.
- If the cumulative responses cannot satisfy the entire PO at a price(s) better than the MO’s price, then the MO is allocated 100%, satisfying its AON contingency, provided there are no public customer orders resting in the book at the same price as the MO. If responses are for sufficient size at price(s) better than the MO, then the PO will execute against those responses, and the MO will cancel.
- If the price on the MO equals the execution price and there are public customers at that price, and if there is sufficient size, then the PO will execute against that size and the MO will automatically cancel. If there are public customers but insufficient size, then both the PO and MO will cancel.

Under Rule 6.74B.02, prior to using the AON AIM Solicitation Mechanism, members must deliver to their customers a written notification that discloses the terms and conditions of the mechanism in a form approved by CBOE. The following text may be used by members to satisfy this requirement:

When handling an order of 500 contracts or more on your behalf, [firm] may solicit other parties to execute against your order and may thereafter execute your order using the Chicago Board Options Exchange’s AON AIM Solicitation Mechanism. This functionality provides a single-priced execution, unless the order results in price improvement for the entire quantity, in which case multiple prices may result. For further details on the operation of this mechanism, please refer to Chicago Board Options Exchange Rule 6.74B, which is available at [www.cboe.org/Legal](http://www.cboe.org/Legal).

Members may submit alternative forms of notification for approval by mail or email to the attention of Dave Carlson, Division of Member and Regulatory Services, 312-786-7052, [carlson@cboe.com](mailto:carlson@cboe.com). For additional information on AON AIM Solicitation requirements, please refer to Rule 6.74B.