CBOE
CHICAGO BOARD OPTIONS EXCHANGE

400 S. La Salle
Chicago, IL 60605

Regulatory Circular RG08-101

To: Members
From: Trading Operations
Date: September 3, 2008
Re: Hybrid Opening Enhancement – HAL on the Open (HALO)

The CBOE is very pleased to announce a significant enhancement to its opening process. HAL on the Open (HALO) will incorporate the existing HAL feature during the opening process in an attempt to efficiently address imbalances and trade as many contracts as possible within the displayed NBBO. In classes where HALO is enabled, opening trades will occur within a valid opening price range which incorporates the NBBO. If there are additional marketable contracts that cannot be filled within this range, the series will be moved into open-state (after trading available contracts within the range as the Opening print), and a HAL flash will be initiated for the remainder.

HALO will be rolled out incrementally and is expected to be floorwide in all Hybrid classes, other than those trading on the Hybrid 3.0 platform (SPX, OEX, MVR), as of September 10, 2008.

HAL on the Open Highlights:

- EOP/EOS Messages will be sent via the API as they are today, providing information as to any marketable orders. Imbalance messages will indicate the potential HAL quantity/price that may be initiated upon completion of rotation.

- The Opening Price Range will be the midpoint of the highest quote bid and lowest quote offer plus/minus half of the Opening Exchange Prescribed Width (OEPW), or the best away market(s), if any, whichever is better.

- The Opening Trade, if any, will be at a price that is within the Opening Range that would trade the largest number of contracts. If there are multiple prices at which the same number of contracts can trade, the system will select that which is closest to the mid-point of the resulting CBOE market.

- After the opening trade, any remaining volume that is marketable against the NBBO or Opening Price Range will initiate a HAL flash.

- Any remainder that remains un-executed after HAL will book, trade or link via PAR.

- Multiple orders at different price limits may be bundled and processed in a single HAL flash, in standard priority sequence.

- OPG Contingency orders may go thru the HAL process, but will not link away. At the end of the HAL process, any unfilled OPG quantity will be cancelled.

- Orders that go through HALO may receive multiple prices.

Please see the reverse side of this circular for examples.

HAL on the Open (HALO) Examples

Imbalance Example:
Customer orders resting in book:
BUY 100 x MKT
CBOE MM1: 1.00 – 1.20; volume 75x75
OEPW = .25, Opening Price Range: .95 – 1.25 (no away markets)
An EOP message will be sent in pre-open and rotation states indicating NEED MORE SELLERS 25 x 1.25. After opening timers have expired, the series will open with a trade of 75x1.20 and the remainder of 25 contracts will be flashed through HAL at 1.25.
Prior to HALO, this series would not open until there was enough size to satisfy the full 100 contracts.

NBBO Example
Customer orders resting in book:
BUY 100 x MKT
CBOE MM1: 1.00 – 1.20; volume 75x75
CBOE MM2: 1.00 – 1.25; volume 100x100
NBBO MKT: 1.00 – 1.20; volume 100x100
OEPW = .25, Opening Price Range: .95 – 1.20
An EOP message will be sent in pre-open and rotation states indicating NEED MORE SELLERS 25 x 1.20. After opening timers have expired, the series will open with a trade of 75x1.20, and the remainder of 25 contracts will be flashed through HAL at 1.20 (i.e., the NBBO). This balance will trade with any HAL responders, and any un-filled balance will be linked to the exchange(s) disseminating the 1.20 offer. Previous to HALO this order would have traded 100 x 1.25.

Members seeking further information as to the revised rules should refer to rule change
SR-CBOE-2008-030, which is available on the CBOE website at www.cboe.org/Legal.

Any other questions may be directed to Doreen Scholla, Trading Operations, 312-786-7529/schollad@cboe.com, or Anthony Montesano, Trading Operations, 312-786-7365/ montesan@cboe.com.