



Regulatory Circular RG08-125

To: Members

From: Index Options Procedures Committee (IOPC)  
Market Quality and Allocation Committee (MQAC)

Date: October 2, 2008

Re: Dual Lead Market-Makers in S&P 500 Options (SPX)

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With the recent increase in market volatility and option volumes, the Exchange is commencing a pilot to allow for more than one Lead Market-Maker (LMM) to continuously quote in Hybrid 3.0 products. Beginning tomorrow, Thursday, October 2, 2008, IOPC and MQAC have approved a Dual LMM structure for SPX options, in which two firms will be providing continuous quotes on all series, with the best consolidated market being disseminated via the market data feed. For this cycle, Citigroup and CTC will serve as the dual LMMs.

While the effects of this change are expected to be a net positive for the product and the CBOE, the Exchange is aware that this new structure may produce questions from both the members trading the product and the customer base outside of the Exchange. Issues that arise will be studied and managed as necessary, and further changes in procedures may develop.

Additionally, the committees wish to state that this change is being implemented as part of a test. If the new model does not perform satisfactorily, or if other enhancements are required, the committees reserve the ability to implement a different program or revert to the single LMM structure that has been in place. The LMMs have not been granted a participation entitlement.

We expect that this pilot will run through, at least, the current expiration cycle. Additional information will be disseminated as necessary. If you have any questions, please contact Anthony Montesano at (312) 786-7365 or Robert Zaremba at (312) 786-8134.