CHICAGO BOARD OPTIONS EXCHANGE

Regulatory Circular RG09-07

Date: January 15, 2009

To: Members

From: Member and Regulatory Services Division

Re: Market Maker In-Person Requirements in Hybrid 3.0 Classes (SPX)

The purpose of this circular is to clarify Exchange rules regarding transactions effected by OEX Market Makers in Hybrid 3.0 classes (currently only SPX).

As OEX is now trading on Hybrid, the in-person trading requirement as described under Exchange Rule 8.7.03B[1] no longer applies to Market Makers holding an appointment in OEX. Rather, the in-person trading requirement only applies to Market Makers holding an appointment in Hybrid 3.0 classes (currently only SPX).

Therefore, a Market Maker who holds an appointment and trades in OEX, but enters orders in SPX (a non appointed class), for the purpose of hedging, reducing risk of, or rebalancing the Market Maker's positions in OEX is **not** subject to the aforementioned in person trading requirement. This is because the Market Maker does not hold an appointment in SPX. In addition, orders initiated by OEX Market Makers in SPX for the purpose of hedging, reducing risk of, rebalancing, or liquidating the Market Maker's open positions are entitled to receive Market Maker margin treatment.

All Market Makers are nevertheless required to adhere to the requirement under Exchange Rule 8.7.03A which states that at least 75% of a Market Maker's total contract volume must be in the Market Maker's appointed option classes.

Any questions regarding this circular may be directed to Daniel Hustad at (312) 786-7715.

[1] Regarding Market Maker transactions executed in Hybrid 3.0 classes (SPX), Exchange Rule 8.7, Interpretations and Policies.03B requires that a Market Maker execute at least 25% of the Market Maker's transactions in person, and not through the use of orders. However, for any calendar quarter in which a Market Maker receives Market Maker treatment for off floor orders pursuant to Rule 8.1, the Market Maker must execute at least 80% of the Market Maker's total transactions in person and not through the use of orders. In addition, any off floor orders for which Market Maker treatment is received must be for the purpose of hedging, reducing risk of, rebalancing, or liquidating open positions of the Market Maker.