CBOE

CHICAGO BOARD OPTIONS EXCHANGE

400 S. La Salle
Chicago, IL 60605

Regulatory Circular RG09-107

Date: September 30, 2009

To: Members

From: Trading Operations

Re: CBOE*direct* Version 8.1 System Enhancements

CBOE is pleased to announce the below system enhancements. Questions may be directed to Anthony Montesano (312) 786-7365, montesan@cboe.com, Greg Burkhardt (312) 786-7531, burkhard@cboe.com or the CBOE Help Desk (866) 728-2263, helpdesk@cboe.com. To obtain detailed message format specifications and to schedule testing, please contact the CBOE API Group (312) 786-7300, api@cboe.com.

Requirements for Market-Maker Orders in Restricted Series – Effective October 5, 2009, orders in restricted series with M and N origin will reject if the opening/closing position indicator is blank. M-orders marked closing will be accepted, and if opening must include IOC. N-orders marked closing will be accepted, but those marked opening will be rejected, which matches handling for all other non-market-maker origins (Also, announced in more detail in RG09-101 from September 18, 2009).

"OPG" Requirement on Market-maker COB Orders - M/N-orders submitted pre-open to interact with resting COB orders now require an OPG (opening-only) contingency. Such orders that are not filled upon completion of opening rotation will be automatically cancelled. Pre-opening M/N-orders orders without the OPG will route to the booth. Note that intra-day complex M/N-orders already require IOC to interact with COB.

Elimination of Price Checks for Pre-open Market-Maker Orders – Effective October 5, 2009, at the request of Market-Makers, price checks will no longer be performed on M/N-orders received before the opening. Previously, orders would reject if buying more than "X" above or selling more than "X" below the previous day's close (where, X = .5 for prices under $3.00 and 1 for prices of $3.00 and above). Pre-open price checks will continue to be performed on all non-Market-Maker orders, and intra-day price checks will continue to be performed on all orders, including those from Market-Makers.

Elimination of Quote-Lock Notice – A notification message will no longer be disseminated to Market-Makers whose quotes are locked with each other. Note, in classes where a quote-lock timer is in place, quotes will continue to remain locked until the timer expires before trading. Only the notification message is being eliminated.

New Linkage – New linkage functionality, including HAL2, ISO AIM, Sweep-and-AIM and Do-Not-Route (DNR contingency for "CBOE-only" orders) is also included with this load but will be described in a separate circular that will include a class activation schedule. The above order types, as well as new protection for market orders (described below) will be available as each class is converted to HAL2 (schedule to be announced via separate circular).

Price Protection for Market Orders – Effective October 5, 2009, to prevent extreme and potentially erroneous executions, MKT orders that require fills at multiple prices will initiate a HAL once the next available price is too far beyond the initial NBBO that existed when the order was first received. If the HAL exposure does not result in a fill, the remainder of the order will route to PAR rather than being allowed to automatically execute at the extreme price. Initial settings are provided below.

	Permissible execution beyond
Initial NBBO	initial NBBO
00.00 – 00.75 =	0.15
00.76 – 02.00 =	0.30
02.01 – 05.00 =	0.50
05.01 – 10.00 =	0.80
10.01 – 20.00 =	1.50
20.01 – 99999 =	2.50

Example: Assume class is a CBOE single-list, but results would be the same for NBBO prices for multi-list classes…

CBOE has offers of 1.00 for 10; 1.30 for 10; and 1.40 for 100.
An order is received to buy 50 MKT.
10 would execute at 1.0 and 10 at 1.30. The next price of 1.4 is more than .30 above the initial best offer of 1.00. Thus, HAL is initiated for 30 contracts at 1.3. Executions would occur at the conclusion of the HAL auction against any responses of 1.30 or lower. Any un-filled remainder would route to PAR.